

Comprehensive Annual Financial Report

OF THE

DAVIS SCHOOL DISTRICT

**45 East State Street
Farmington, Utah 84025**

**For the Fiscal Year Ended
June 30, 2005**

**Marian H. Storey, President of the Board
W. Bryan Bowles, Superintendent
Bruce W. Williams, Business Administrator**

**Prepared by:
The Accounting Department
Reese J. Roberts, CPA
Finance Administrator**

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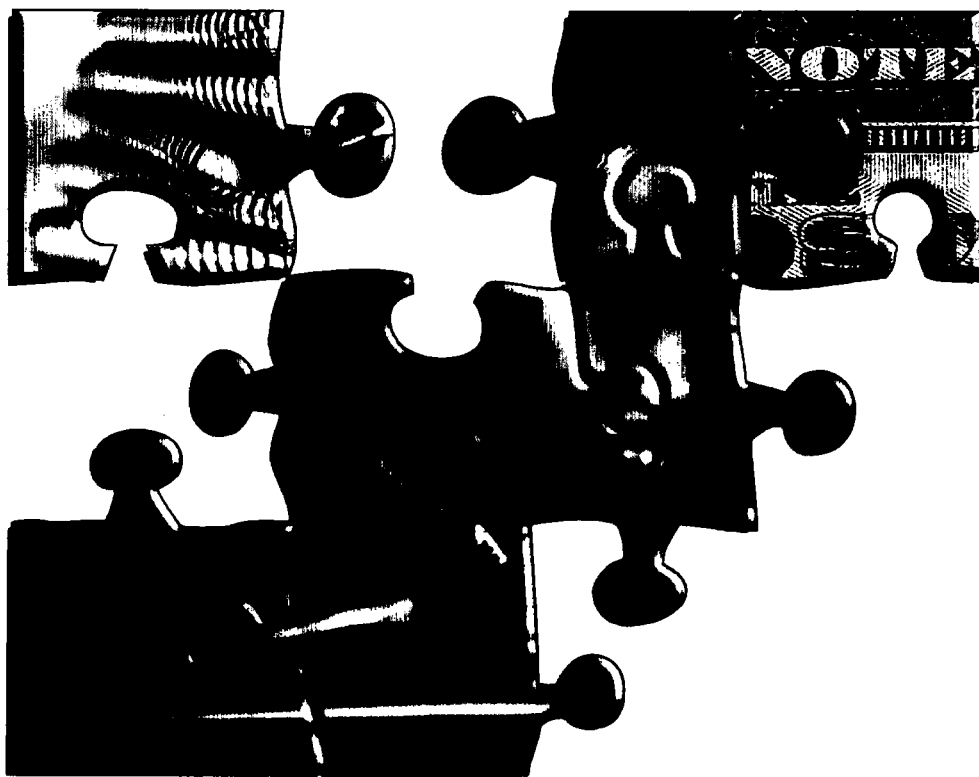
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Section I

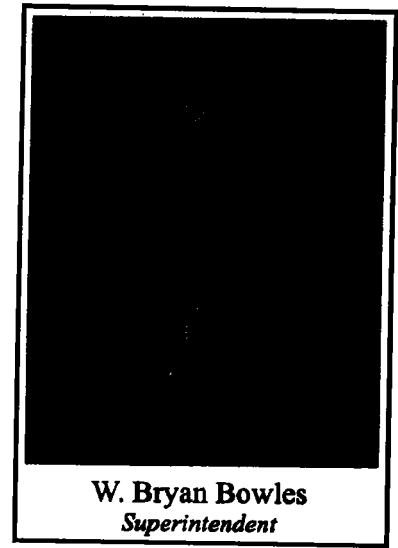
Introductory Section



November 22, 2005

To President Storey, Members of the Board of Education, and
the Citizens of the Davis School District:

State law requires that school districts publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Davis School District (District) for the fiscal year ended June 30, 2005.



Designed to meet the needs of a broad spectrum of readers of financial statements, this CAFR is divided into three major sections:

- **Introductory section** – Introduces the reader to the report and includes this transmittal letter, a map of School Board precinct boundaries, the list of elected and appointed officials, the organization chart of the District, certificate of excellence in financial reporting, and the District's model for public education.
- **Financial section** – Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- **Statistical section** – Contains substantial financial information, but presents tables that differ from financial statements in that they present non-accounting data, cover several years, and are designed to reflect social and economic data and financial and fiscal trends as well as the fiscal capacity of the District.

Internal controls. This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Independent audits. Squire & Company, PC, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion, and that the District's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

Management's discussion and analysis. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

District profile. The District is located in the north central part of the state. The boundaries of the District are contiguous with those of Davis County, Utah. Davis County is largely an urban county with high concentrations of residential development. The District is a legally separate and fiscally independent entity enjoying all rights and privileges accorded political subdivisions in the State of Utah. Policymaking and legislative authority are vested in the Board of Education consisting of seven members. The Board of Education is responsible for, among other things, developing policy, adopting the budget, levying taxes, incurring bonded debt, supervising committees, and hiring both the superintendent and business administrator. The superintendent and business administrator are responsible for carrying out the policies of the Board of Education and oversee the day-to-day operations of the District. The Board of Education is elected on a non-partisan basis. Board members serve four-year staggered terms with no more than four board members elected every two years.

The major purpose of the District is to provide public education for those who reside within the boundaries of the District. To accomplish this purpose, as of fall 2005, the District operates seven traditional high schools, fourteen junior high schools, and 53 elementary schools. The District also offers three special purpose programs: Pioneer Adult Rehabilitation Center (a sheltered workshop for students with disabilities), the Family Enrichment Center (providing preschool and Head Start programs), and Farmington Bay (a youth correctional facility). In addition, the District operates two alternative high schools, Mountain High and Canyon Heights, and one alternative junior high, Davis Junior High. The District serves 62,349 students based on the October 1, 2005 enrollment report.

The District also acts as the fiscal agent for the Davis County School District Foundation (Foundation). The Foundation is a separate legal (501c(3)) entity, and is reported as a discreetly presented component unit in the District's financial statements. The Foundation is a not-for-profit entity that solicits financial support of public education through local school communities and community business partners.

Budgetary control. The District adopts an annual budget for its funds. This budget acts as the financial operating plan for the entire year. Revisions may be implemented during the year authorizing a larger appropriation of available resources through a public hearing and approval from the Board.

All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.

If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate the budget is adopted in August after required advertisement of proposed tax rate increases and a public hearing.

The level by which expenditures may not exceed appropriations has been interpreted by the State Superintendent of Public Instruction to be the total budgeted expenditures of a given fund.

Economic condition and outlook. The economic outlook of the District is tied to and dependent on the economic condition and outlook of the State of Utah since state aid provides 70.7% of general fund revenues. The State of Utah has been able to conclude each fiscal year since fiscal 1988 with a general fund surplus. However, the state's general fund surplus for fiscal 2002 and 2003 was only achieved by significant cuts in state spending. Although Utah's economic growth had significantly slowed since the September 11, 2001 terrorist attacks, the state economy experienced some improvement in 2004, and made even greater strides in 2005.

The state increased the value of the weighted pupil unit (WPU) by 0.84 percent for 2004 and 1.5% for 2005. This small increase was in part funded by reallocation of existing resources, and by one-time funding. For 2006, the state legislature increased the value of the WPU by 4.49%

The District was faced with budget reductions for fiscal years 2002, 2003, and 2004, and a few additional reductions were necessary in 2005 to cover increased costs. The increase in state funds for 2006 will allow the District to cover cost of living increases for staff, and inflationary increases in benefit costs, utilities, fuel, and instructional materials.

The Utah Foundation reports that during the 1990's as enrollments in K-12 (kindergarten thru 12th grade) education slowed, so did state budgetary efforts. From 1995 to 2000, K-12 education spending fell from 41.2 percent of state spending to 38.5 percent. If it had remained at 41.2 percent, an additional \$137 million would have been appropriated to K-12 schools. Despite a reduction in the percentage of state funding for K-12 education of the later 1990's, K-12 funding increased and class sizes decreased. These improvements were made possible by a strong economy providing ample revenues at the same time that school enrollment growth slowed and even declined. From all indications, the current decade will be far more challenging for K-12 education than the 1990's. A surge in K-12 enrollment is projected, and the economy is likely to grow slower, providing lower revenue growth at the same time that needs are increasing rapidly. New regulations from the federal government will also require a greater level of achievement from students, teachers and school officials.

The Utah Foundation also published reports about Utah's "education paradox." The crux of this paradox is that Utahns exercise a significant funding effort for K-12 and higher education, but that effort yields the lowest per-pupil funding and the largest class sizes in the nation.

The District's taxing authority rests with property taxes on residential and commercial property. District taxable property values in tax year 2004 increased 4.78% compared to an increase of 4.1% in 2003. Local taxation accounts for only 17.4% of general fund revenues, and 26.6% of all governmental fund revenues. The Legislature passed a law in 2001 increasing state voted and board leeway funds each year over a four-year period. In 2002, 2003, and again in 2004, the Legislature delayed implementation of that law which would have meant an additional \$1.5 million to the District. The Legislature did implement the first phase of the law for funding in 2005, and continued the phased-in implementation for 2006. These funds will be set aside in part to fund the opening of new schools.

Student growth. The state fiscal 2006 school finance program is designed to provide every Utah school district with a basic operation program of \$2,280 per weighted pupil unit (WPU) (compared to \$2,182 per WPU in fiscal 2005).

Based on information from Utah's Bureau of Vital Records, the District expects the kindergarten enrollment increase to accelerate because of a climb in the birth rate for Davis County. The District also expects net migration into the County to remain positive, and projects an additional 6,235 students within the next five years measured from October 2005 to October 2009.

In response to continued student growth, registered voters of Davis County approved, on February 5, 2002, a new bonding authorization in the amount of \$190,000,000. This authorization passed in record fashion with 89.6% approval. The debt has been issued over the last four years to fund construction and renovation of facilities to accommodate student growth. The last \$52,200,000 of authorization was issued in March of 2005. The District has begun preparations for a new bond election in 2006 to obtain the necessary bonding authorization to provide facilities for student growth through 2010.

Cash management and investments. The District maintains a cash and investment pool that is available for use by all funds. This pool has deposits, repurchase agreements, and other investments with varying maturity dates. Investment earnings increased \$2.3 million for fiscal 2005 to a total of \$3.2 million, due to increasing interest rates and larger investment balances.

The State of Utah Money Management Act with the State Money Management Council governs the District's investment policies and provides a measure of depository protection. The Council issues a list of qualified depositories to public treasurers quarterly and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the Council. State law and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately.

The District considers the actions of the Utah Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Risk management. The District is self-insured for workers' compensation. Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District participates in the Utah State Risk Management system for property and liability insurance. This is a pooled arrangement where the participating entities pay annual premiums, which are designed to pay claims and build sufficient reserves so that the system will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base.

Post employment benefits. Certain employees are eligible to receive post employment healthcare benefits for up to three years, or until Medicaid eligibility, whichever comes first. The District finances these benefits as healthcare premiums are paid. The District is in the process of studying the future impact of this benefit and is exploring options for funding in advance or designating fund balances to provide for this obligation.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

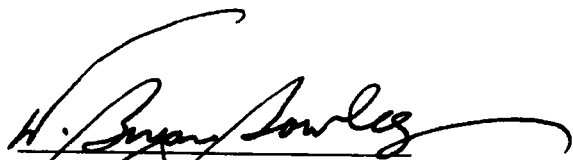
In order to be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. *This is the twenty second year that the District has received this prestigious award.* We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

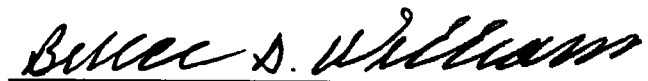
Acknowledgments. The District implemented Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in the preparation of its financial statements beginning with the year ended June 30, 2002. The requirement to prepare financial statements under the new GASB 34 accounting and reporting model has been described to be the most significant change in the history of public sector accounting.

The efficient and dedicated staff of the business department accomplished the preparation of this report on a timely basis. We would like to express appreciation to all members of the department who assisted in the preparation of this report. Special appreciation is expressed to Reese J. Roberts, Finance Director, and his staff, who did most of the work in preparation of this report, and to David Ayrton, Coordinator of Printing Services, and his staff for printing, layout, and design of the report. We would also like to thank the members of the Board of Education for their interest and support in conducting the financial affairs of the District in a responsible and progressive manner.

Respectfully submitted,



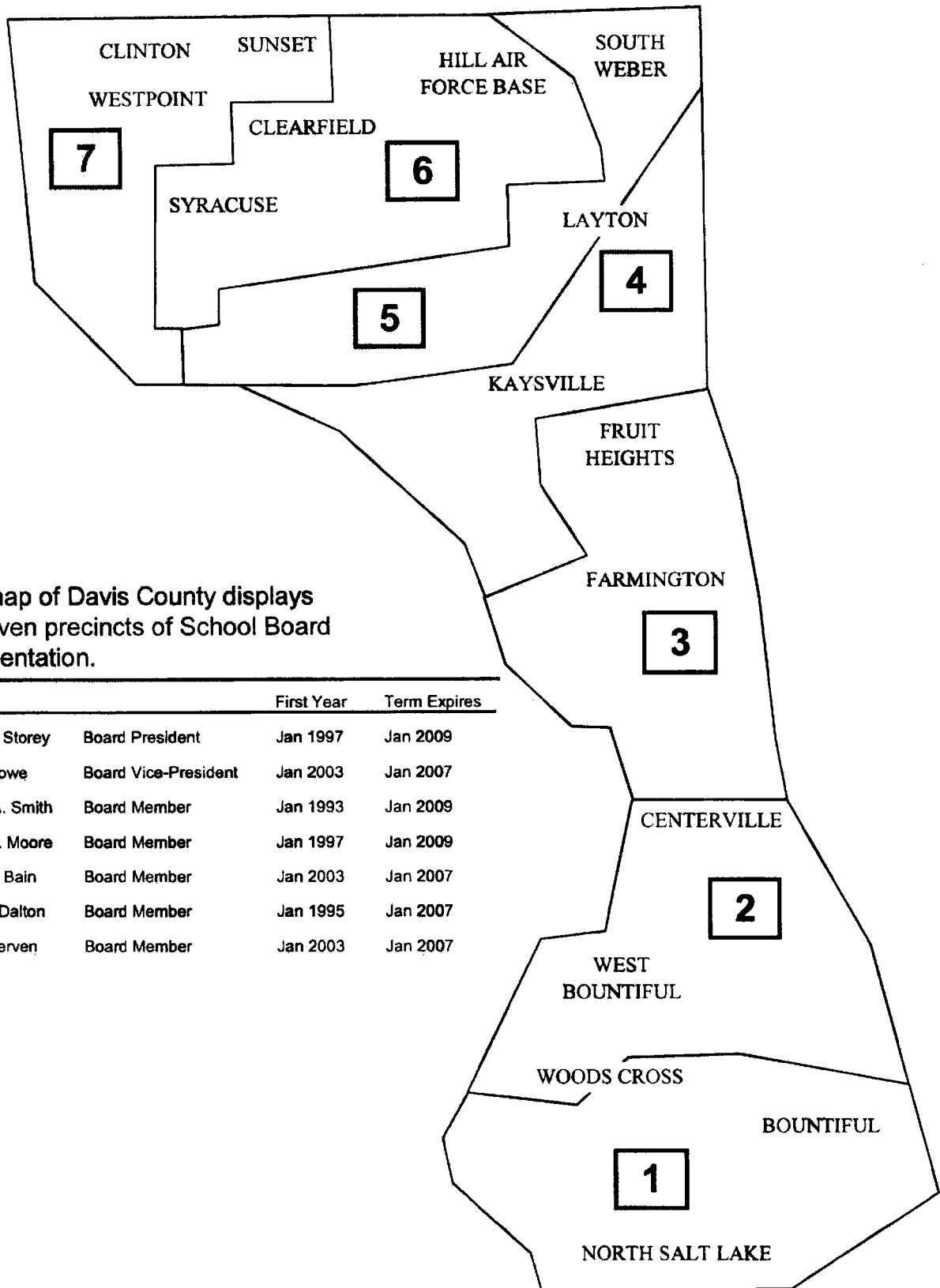
W. Bryan Bowles,
Superintendent of Schools



Bruce D. Williams,
Business Administrator

DAVIS SCHOOL DISTRICT

School Board Precinct Boundaries Year Ended June 30, 2005



Precinct			First Year	Term Expires
4	Marian H. Storey	Board President	Jan 1997	Jan 2009
7	Tamara Lowe	Board Vice-President	Jan 2003	Jan 2007
1	Barbara A. Smith	Board Member	Jan 1993	Jan 2009
2	William P. Moore	Board Member	Jan 1997	Jan 2009
3	Walter M. Bain	Board Member	Jan 2003	Jan 2007
5	Kathie L. Dalton	Board Member	Jan 1995	Jan 2007
6	Cheryl Werven	Board Member	Jan 2003	Jan 2007

DAVIS SCHOOL DISTRICT

List of Elected and Appointed Officials Year Ended June 30, 2005

Elected Officials

<u>Members of the Board of Education</u>	<u>Present Term Began</u>	<u>Present Term Expires</u>	<u>Initial Appointment</u>
Barbara A. Smith Precinct 1	January 2005	January 2009	January 1993
William P. Moore Precinct 2	January 2005	January 2009	January 1997
Walter M. Bain Precinct 3	January 2003	January 2007	January 2003
Marian H. Storey President of the Board Precinct 4	January 2005	January 2009	January 1997
Kathie L. Dalton Precinct 5	January 2003	January 2007	January 1995
Cheryl Werven Precinct 6	January 2003	January 2007	January 2003
Tamara O. Lowe Vice President of the Board Precinct 7	January 2003	January 2007	January 2003

The term of office for a board member is four years, beginning in January following the November election.

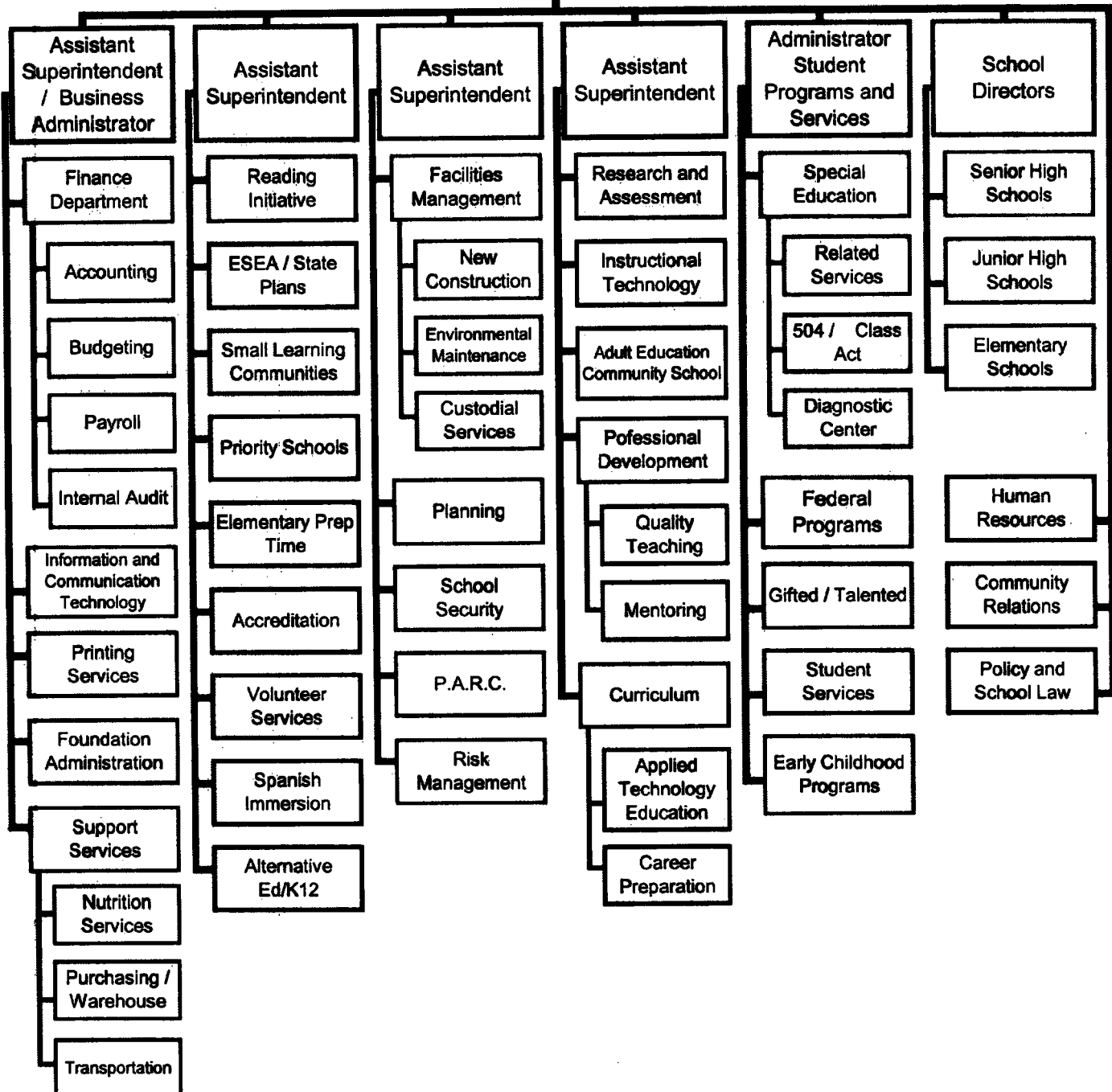
Appointed Officials

	<u>Present Term Began</u>	<u>Present Term Expires</u>	<u>Initial Appointment</u>
W. Bryan Bowles Superintendent	July 2004	July 2006	July 2002
Bruce D. Williams Business Administrator	January 2004	January 2006	January 1996

The term of office for the Superintendent and Business Administrator is two years.

Citizens of Davis County

Superintendent of Schools



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Davis County School District,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



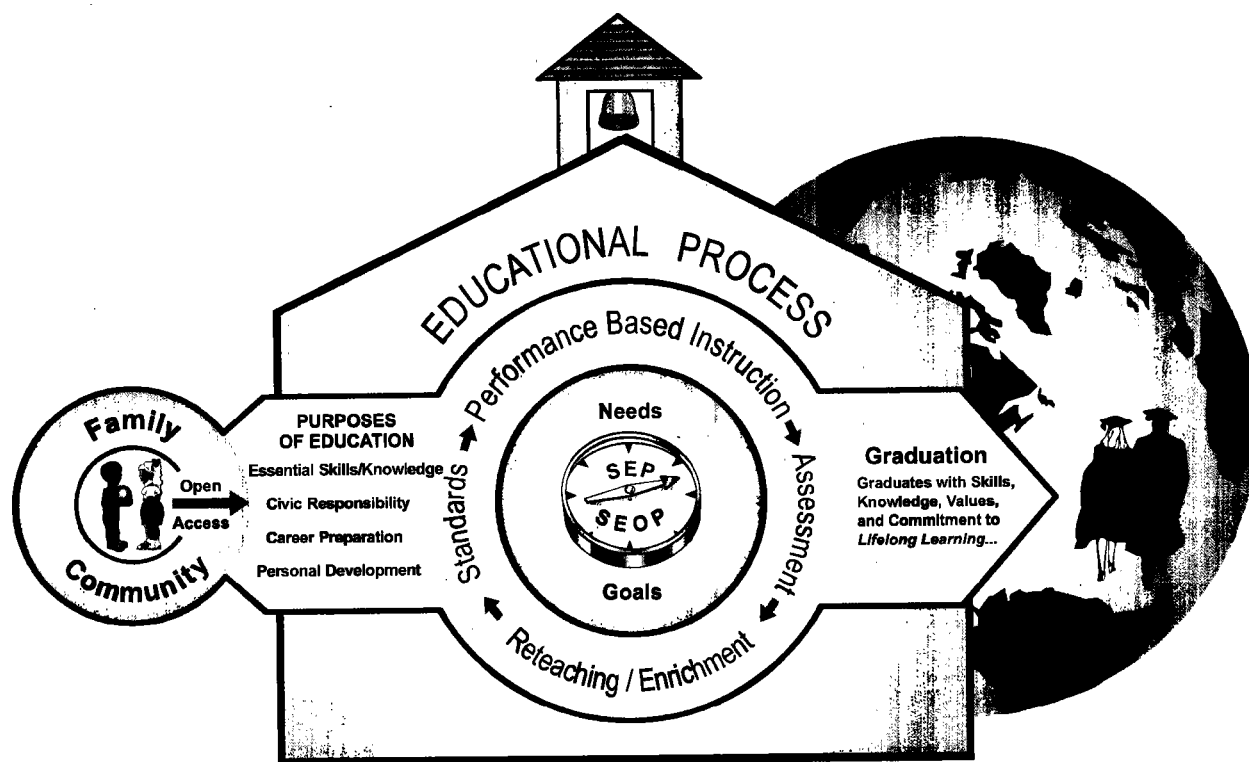
Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

Davis School District Model for Public Education



Public education has the mandate to develop within the hearts and minds of each new generation the qualities of a moral populace, strong scholars, committed citizens, and active workers.

The founding fathers knew that without these qualities, provided through public education, our nation would not long endure.

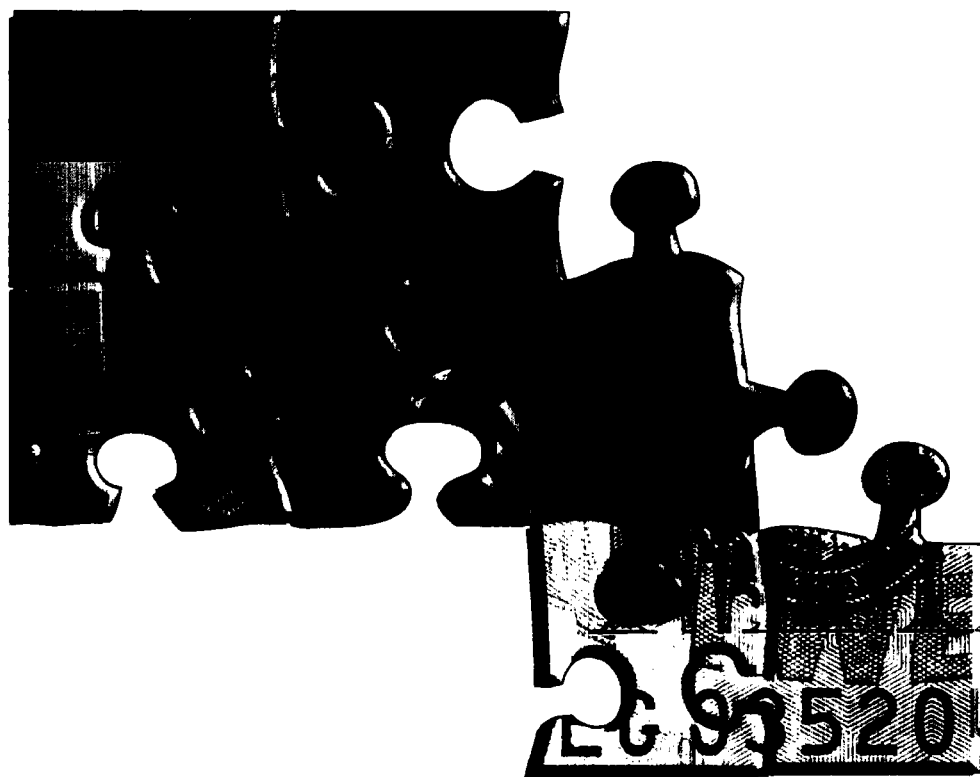
The Davis School District accepts this mandate and focuses its work around the four primary purposes of public education:

- **Essential Learning Skills**
- **Civic Responsibility**
- **Career Preparation**
- **Personal Development**

Educators collaborate with individual students and their parents to form a plan of action (Student Education Plan and Student Education Occupation Plan) which ties these four primary purposes to the needs and goals of the student through the instructional process.

Section II

Financial Section





Independent Auditor's Report

**Board of Education
Davis County School District**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the remaining fund information of Davis County School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Agui & Company, PC

August 26, 2005

Management's Discussion and Analysis

This section of Davis School District's (District) comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2005. Please read it in conjunction with the transmittal letter found on pages 1 through 5 of this report and the District's financial statements, which follow this section.

Financial Highlights

- The District's total net assets exceeded liabilities by \$137.1 million at the close of the most recent fiscal year.
- During the year, expenses were \$2.5 million more than the \$335.1 million generated in taxes and other revenues for governmental activities. Last year, expenses were less than revenues by \$3.7 million.
- Actual expenditures in the general fund were \$5.0 million below final budgeted amounts, and resources available for appropriation were \$4.9 million below final budgeted amounts.
- The District's fund balance in the general fund increased by \$0.1 million. A level fund balance was budgeted for the year.
- On February 5, 2002, the registered voters of Davis County passed a bond authorization in the amount of \$190.0 million for general obligation school building bonds for new school construction, land acquisitions, renovation of existing school facilities, and related equipment and improvements. The voter authorization passed in record fashion with 89.6% in favor. On March 1, 2002, the District issued \$42.0 million of the authorization. On June 1, 2003, the District used an additional \$40.8 million of the authorization. On December 1, 2003, the District issued an additional \$55.0 million of the authorization. On March 15, 2005, the District issued the final \$52.2 million of the authorization.
- The District continues various capital projects and added \$33.2 million of capital assets during the year. Projects in process include a new high school in the northwest portion of the county (estimated cost of \$45.0 million) and a new elementary in Clinton (estimated cost of \$7.0 million). The newly reconstructed North Davis Junior High (estimated cost of \$19.3 million) opened in the fall of 2005. Sand Springs Elementary in west Layton and the newly reconstructed Davis High School both opened in the fall of 2004.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 23 to 24 of this report.

The government-wide financial statements of the District are divided into three categories:

- **Governmental activities.** Most of the District's basic services are included here, such as instruction, various support services, district and school administration, operation and maintenance of facilities, student transportation, and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities.** The District charges fees to customers and receives specific grants from various local, state, and federal agencies to help cover the costs of certain services it provides. The District's School Food Services program and the Pioneer Adult Rehabilitation Center are included here.
- **Component unit.** The District includes one other entity in the report, the Davis County School District Foundation. Although legally separate, this "component unit" is included because the District is the fiscal agent for it, and its purpose is to solicit donations to support educational programs of the District.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, each of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25 to 29 of this report.

- **Proprietary funds.** The District maintains two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses one internal service fund, and it is included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for its two enterprise funds (the School Food Services Fund is considered to be a major fund of the District) and for the internal service fund. The basic proprietary fund financial statements can be found on pages 30 to 32 of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations. The District uses an agency fund to account for resources held for student groups. The basic fiduciary fund financial statement can be found on page 33 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34 to 49 of this report.

Other information. Individual fund statements and schedules are presented immediately following the notes to the financial statements. Individual fund statements and schedules can be found on pages 52 to 61 of this report.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$137.1 million at the close of the most recent fiscal year.

DAVIS SCHOOL DISTRICT'S Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2005	2004	2005	2004	2005	2004	2005-2004
Current and other assets	\$ 172.9	\$ 152.0	\$ 1.4	\$ 0.9	\$ 174.3	\$ 152.9	\$ 21.4
Capital assets	344.7	325.6	10.5	11.0	355.2	336.6	18.6
Total assets	517.6	477.6	11.9	11.9	529.5	489.5	40.0
Other liabilities	129.7	123.2	0.1	0.3	129.8	123.5	6.3
Long-term liabilities outstanding	262.5	226.5	0.1	0.1	262.6	226.6	36.0
Total liabilities	392.2	349.7	0.2	0.4	392.4	350.1	42.3
Net assets:							
Invested in capital assets, net of related debt	124.2	124.2	10.5	11.0	134.7	135.2	(0.5)
Restricted	4.0	5.6	-	-	4.0	5.6	(1.6)
Unrestricted	(2.8)	(1.9)	1.2	0.5	(1.6)	(1.4)	(0.2)
Total net assets	\$ 125.4	\$ 127.9	\$ 11.7	\$ 11.5	\$ 137.1	\$ 139.4	\$ (2.3)

- Net assets of the District's governmental activities decreased 2.0% to \$125.4 million. However, all of those net assets are either restricted as to the purposes they can be used for or are invested in capital assets (land, buildings and improvements, equipment, and so on). Consequently, *unrestricted* net assets showed a \$2.8 million deficit at the end of this year. This deficit does not mean that the District does not have resources to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than *currently available* resources. Specifically, the District did not include in past annual budgets the full amounts needed to finance future liabilities arising from early retirement and to pay for unused employee vacation, personal leave and sick days. The District will include these amounts in future years' budgets as they come due.

- The net assets of the District's business-type activities increased by 1.7% to \$11.7 million. Although business-type activities report a positive unrestricted net asset balance of \$1.2 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The District can only use these net assets to finance the continuing operations of the school food services program and Pioneer Adult Rehabilitation Center.
- The largest portion of the District's net assets reflects its investment in capital assets less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) still outstanding used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for debt service and capital projects.
- During the past several years tax revenues fell short of expectations.

Changes in net assets. The District's total net assets decreased by \$2.3 million during the current year. This decrease was primarily the result of using some of the restricted net assets for capital projects in the construction and renovation of capital facilities. Of the \$2.3 million decrease in total net assets, restricted net assets decreased by \$1.6 million.

- The District's total revenues increased 4.2% to \$359.8 million. Federal and state aid make up 68.6% of the District's revenues; property taxes generate 24.8% of the District's revenues.
- The total cost of all programs and services increased by 6.5% to \$362.1 million. Instruction and support services make up 63.6% and 26.6% respectively, of the District's expenses

DAVIS SCHOOL DISTRICT'S Changes in Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2005	2004	2005	2004	2005	2004	2004-2005
Revenues:							
Program revenues:							
Charges for services	\$ 5.2	\$ 4.1	\$ 14.6	\$ 13.7	\$ 19.8	\$ 17.8	\$ 2.0
Operating grants and contributions	76.0	72.5	10.1	11.1	86.1	83.6	2.5
General revenues:							
Property taxes	89.2	85.5	-	-	89.2	85.5	3.7
Federal and state aid not restricted to specific purposes	160.6	157.4	-	-	160.6	157.4	3.2
Interest	3.2	0.9	-	-	3.2	0.9	2.3
Miscellaneous	0.9	-	-	-	0.9	-	0.9
Total revenues	<u>335.1</u>	<u>320.4</u>	<u>24.7</u>	<u>24.8</u>	<u>359.8</u>	<u>345.2</u>	<u>14.6</u>
Expenses:							
Instruction	230.2	216.2	-	-	230.2	216.2	14.0
Support services:							
Student	10.9	10.4	-	-	10.9	10.4	0.5
Instructional staff	13.9	14.2	-	-	13.9	14.2	(0.3)
District administration	2.8	2.6	-	-	2.8	2.6	0.2
School administration	18.8	17.9	-	-	18.8	17.9	0.9
Business administration	8.3	8.4	-	-	8.3	8.4	(0.1)
Operation and maintenance of facilities	31.9	28.8	-	-	31.9	28.8	3.1
Student transportation	9.7	9.4	-	-	9.7	9.4	0.3
Interest on long-term liabilities	11.1	8.8	-	-	11.1	8.8	2.3
School food services	-	-	16.9	16.0	16.9	16.0	0.9
Pioneer Adult Rehab Center	-	-	7.6	7.4	7.6	7.4	0.2
Total expenses	<u>337.6</u>	<u>316.7</u>	<u>24.5</u>	<u>23.4</u>	<u>362.1</u>	<u>340.1</u>	<u>22.0</u>
Changes in net assets	(2.5)	3.7	0.2	1.4	(2.3)	5.1	(7.4)
Net assets, beginning	<u>127.9</u>	<u>124.2</u>	<u>11.5</u>	<u>10.1</u>	<u>139.4</u>	<u>134.3</u>	<u>5.1</u>
Net assets, ending	<u>\$ 125.4</u>	<u>\$ 127.9</u>	<u>\$ 11.7</u>	<u>\$ 11.5</u>	<u>\$ 137.1</u>	<u>\$ 139.4</u>	<u>\$ (2.3)</u>

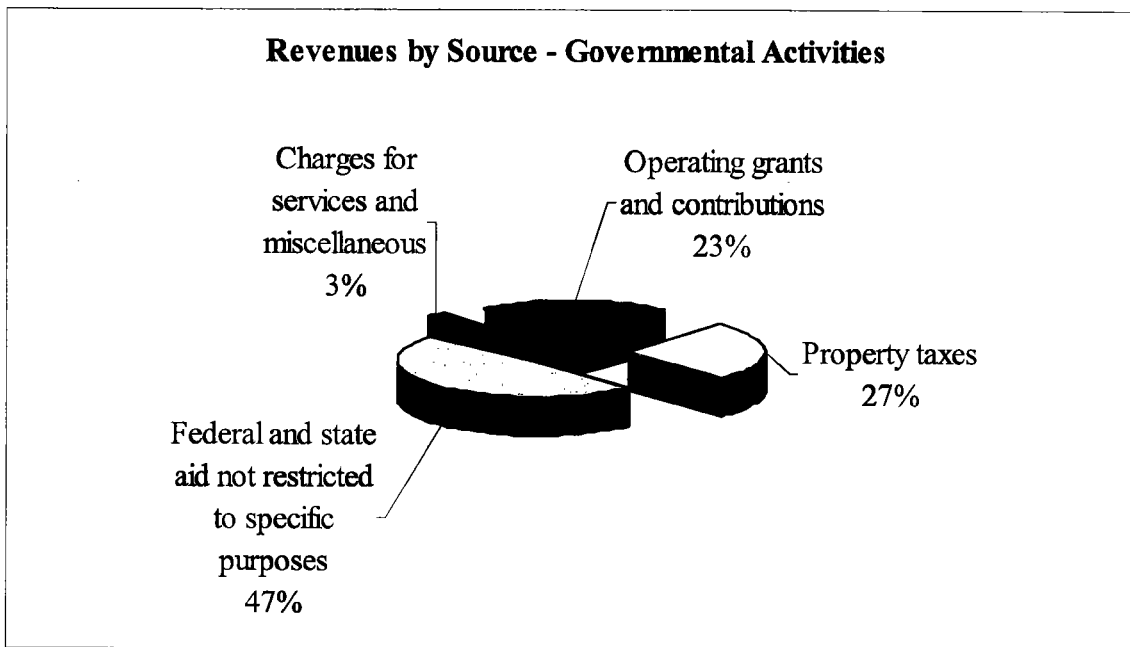
The narrative that follows considers the operations of governmental and business-type activities separately.

Governmental activities. The key elements of the decrease of the District's net assets for the year ended June 30, 2005 are as follows:

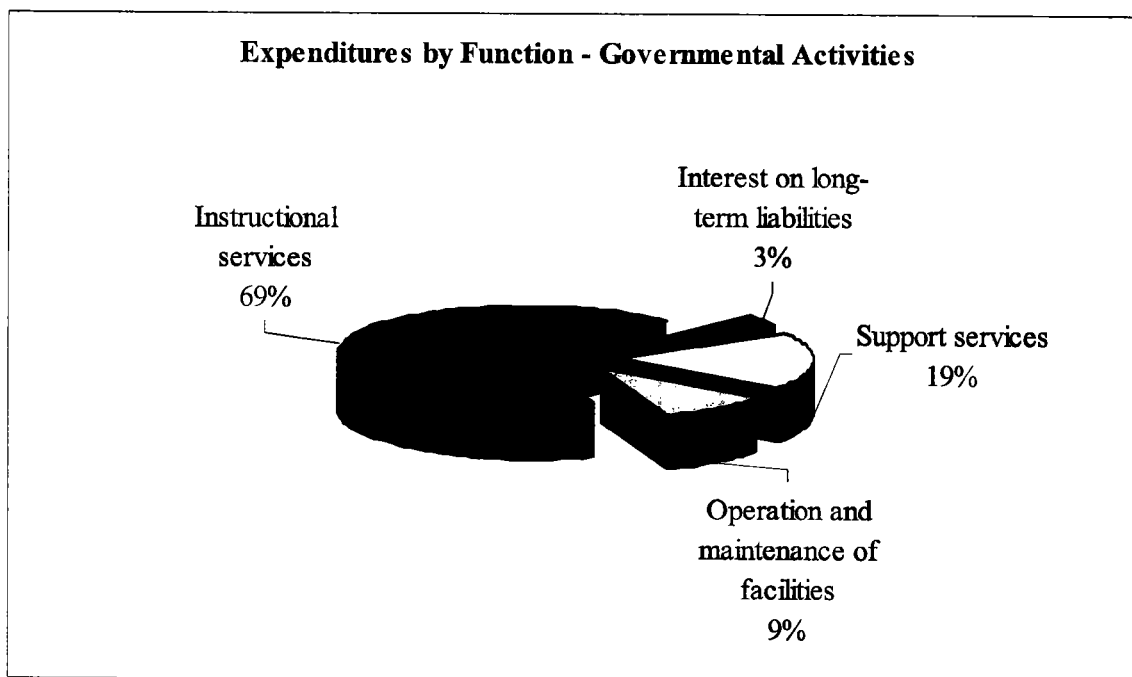
- Revenues continue to be primarily from federal and state aid and local property taxes.

Federal aid increased by 5.3% to \$25.8 million. State aid increased by 2.6% to \$210.8 million as a reflection of increased funding for specific programs and growth in student enrollment. State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes do not provide money equal to the amount generated by the WPU the state will make up the difference with state funding. Certain special students receive a weighting greater than one. The value of the WPU increased by 1.5% during the year ended June 30, 2005 (\$2,182 during 2005 as compared to \$2,150 in 2004).

Property tax revenues increased by 4.3% as a result of an increase in the taxable value of property, an increase in tax rates, and improved collections.



- Expenses for governmental activities increased \$20.9 million, or 6.6%. The District was able to fund increases in health insurance benefits and contractual increases in personnel costs.



Business-type activities. The key elements of the \$0.2 million increase of the District's net assets for the year ended June 30, 2005, are as follows:

- Revenues decreased 0.4% while expenses increased 4.7%. Charges for services was up \$0.9 million offsetting a decrease in operating grants and contributions. Despite normal increases in operating costs, business activities still showed an increase in net assets, although a smaller increase than last year.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$41.9 million, \$14.3 million greater than the previous year. Included in this year's change in the combined fund balance are unspent general obligation bond proceeds and revenues that are restricted for capital projects totaling \$36.6 million (up \$14.6 million), an increase in the fund balance of the general fund of \$0.1 million, and a decrease in the fund balance of the debt service fund of \$0.3 million. The primary reasons for the general fund's increase mirror those highlighted in the analysis of governmental activities. In addition, the following changes in revenues and expenditures should be noted:

- Revenues for general District purposes totaled \$288.3 million, an increase of 4.7%, during the current fiscal year. State revenues were up 2.4% due to increases in state appropriations. Taxes were up 5.2% due to growth in assessed valuation, and Federal revenues were up 5.3% due to increases in federal grants.
- Expenditures for general District purposes totaled \$297.3 million, an increase of 4.7% during the current fiscal year. Instructional services represent 68.3% of general fund expenditures.
- General fund salaries totaled \$191.6 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$70.9 million to arrive at 88.3% of total general fund expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The \$5.3 million fund balance of the general fund is partially reserved for inventories with the remainder reported as unreserved.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$1.2 million or 0.4% in total general fund expenditures. The most significant differences may be summarized as follows:

- \$1.3 million or 3.9% decrease in supporting services-operation and maintenance of facilities, to anticipate changes in costs for telecommunications.

During the year, final budgeted revenues were less than original budgetary estimates by \$1.8 million or 0.6%, to account for decreases in state aid.

Even with these adjustments, actual expenditures were \$5.0 million below final budgeted amounts. The most significant positive variance was \$3.0 million in instruction, and \$1.2 million in supporting services-operation and maintenance of facilities. These variances were due primarily to budgeting for federal and state grants that were not fully expended, and to telecommunication costs being less than expected. Additionally, resources available for appropriation were \$5.0 million below the final budgeted amount. Federal and state aid variances primarily

result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Asset and Debt Administration

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. The District spent \$33.2 million in 2005 for capital assets. Projects in process include a new high school in the northwest portion of the county (estimated cost of \$45.0 million) to be opened in 2007, and a new elementary in Clinton (estimated cost of \$7.0 million) to be opened in 2006. The newly reconstructed North Davis Junior High (estimated cost \$19.3 million) opened in the fall of 2005. Sand Springs elementary in west Layton, and the newly reconstructed Davis High School both opened in 2004.

The District continues to experience a shift in student population to the northwest section of the District. The opening of Sand Springs Elementary in west Layton helps meet some of the needs, but temporary classrooms are still in use to accommodate housing needs until other permanent facilities can be constructed. The District has a total inventory of 298 portable classrooms representing approximately 272,627 square feet.

Capital assets at June 30, 2005 and 2004 are outlined below:

(net of accumulated depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Change
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 25.5	\$ 24.3	\$ -	\$ -	\$ 25.5	\$ 24.3	\$ 1.2
Construction in progress	35.0	58.6	-	-	35.0	58.6	(23.6)
Buildings and improvements	275.9	234.5	8.9	9.1	284.8	243.6	41.2
Furniture and equipment	2.8	2.8	1.6	1.9	4.4	4.7	(0.3)
Transportation equipment	5.5	5.4	-	-	5.5	5.4	0.1
Total capital assets	<u>\$ 344.7</u>	<u>\$ 325.6</u>	<u>\$ 10.5</u>	<u>\$ 11.0</u>	<u>\$ 355.2</u>	<u>\$ 336.6</u>	<u>\$ 18.6</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration. On February 5, 2002, by a 89.6% margin, the public voted to authorize the District to issue \$190.0 million of general obligation school building bonds for new school construction, land acquisitions, and renovation of existing school facilities and related equipment and improvements. This debt authorization was sought to cope with the demands of student growth over the next eight years, with student migration to the northwest portion of the county, and to help maintain the District's investment in its capital assets.

On March 1, 2002, the District issued \$42.0 million in general obligation bonds and on June 1, 2003, the District used an additional \$40.8 million of the authorization. On December 1, 2003, the District issued an additional \$55.0 million in general obligation bonds, and on March 15, 2005 issued the remaining \$52.2 million of authorization.

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 is \$674.7 million. General obligation debt, net of unamortized premiums and deferred amounts on refunding, at June 30, 2005 is \$248.1 million, resulting in a legal debt margin of \$426.6 million.

DAVIS SCHOOL DISTRICT'S Outstanding Debt
(in millions of dollars)

	Governmental Activities		Total Change 2004-2005
	2005	2004	
General obligation bonds	\$ 243.3	\$ 210.9	\$ 32.4

Although it is not unusual for governments to have a 30-year bond payoff schedule, the District maintains an aggressive schedule to retire all of its general obligation bonds by 2020.

Additional information on the District's long-term debt can be found in Note 8 to the basic financial statements.

Changing Enrollment within the District

The components of changing enrollment are migration and the kindergarten to grade 12 (K-12) differential. The K-12 differential is the size of the 12th grade leaving compared to the size of the kindergarten students entering the District in a given year. District births and number of students per grade are known data. Migration is estimated based on historical changes in grade levels as they move through the system, and with the advent of Charter Schools, estimates of future Charter Schools to be created and the number of District students that might be drawn away by these schools. Given these factors, estimated new growth for the next five years will be an additional 6,235 students.

DAVIS SCHOOL DISTRICT'S Enrollment Projections

Birth year of kindergarten students	2001	2002	2003	2004	2005	
District fiscal year	2006	2007	2008	2009	2010	Total
Kindergarten students entering	5,036	4,920	5,034	5,283	5,279	25,552
12th Grade students leaving	3,943	3,994	3,843	3,949	4,090	19,819
K-12 differential	1,093	926	1,191	1,334	1,189	5,733
Net in/out migration	642	(153)	85	(164)	92	502
Total enrollment change	1,735	773	1,276	1,170	1,281	6,235

The District went through a five-year period of flat growth in student enrollment between 1998 and 2002, but continued to experience a change in school populations due to a migration of students to the northwest section of the District. The District began seeing the beginning of increasing student enrollments in 2003, and expects to add over 22,000 students over the next 20 years. Total enrollment on October 1, 2005 was 62,349 students, up 1,735 students from the previous year, an increase of 2.9%.

The District has ongoing planning efforts to analyze and deal with the issues related to new growth. The February 5, 2002 \$190.0 million general obligation bond authorization was the largest in District history. With that bonding authorization being used up in the spring of 2005, the District has begun preparations for another bond election to be held in 2006. Resources from the anticipated new authorization will be used for construction and renovation of facilities over the next four to five years. It is anticipated that over the next 20 years of expected growth, the District will be seeking voter approval for bonding about every 5 years. With bond proceeds as well as ongoing capital funds from taxes and state capital equalization, the District expect to meet the demands of projected student growth over both the short-term planning horizon (5 years) as well as the long-term (20+ years).

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Davis School District, Office of the Business Administrator, 45 East State Street (P.O. Box 588), Farmington, UT 84025.

DAVIS SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	District Foundation
Assets:				
Cash and investments	\$ 63,500,787	\$ 602,396	\$ 64,103,183	\$ 502,128
Receivables:				
Property taxes	81,548,408	-	81,548,408	-
Other local	2,261,091	1,182,824	3,443,915	27,095
State of Utah	1,282,035	493,755	1,775,790	-
Federal government	15,175,926	230,612	15,406,538	-
Internal balances	2,489,068	(2,489,068)	-	-
Inventories	5,294,732	1,416,750	6,711,482	-
Bond issuance costs, net of accumulated amortization	1,318,082	-	1,318,082	-
Capital assets:				
Land and construction in progress	60,573,010	-	60,573,010	-
Other capital assets, net of accumulated depreciation	284,131,554	10,506,045	294,637,599	-
Total assets	517,574,693	11,943,314	529,518,007	529,223
Liabilities:				
Accounts payable	5,271,213	104,604	5,375,817	500
Notes payable	250,000	-	250,000	-
Accrued interest	699,941	-	699,941	-
Accrued salaries	47,247,374	-	47,247,374	-
Deferred property tax revenue	76,212,324	-	76,212,324	-
Noncurrent liabilities:				
Due within one year	24,897,848	31,401	24,929,249	-
Due in more than one year	237,598,321	81,005	237,679,326	-
Total liabilities	392,177,021	217,010	392,394,031	500
Net Assets:				
Invested in capital assets, net of related debt	124,199,055	10,506,045	134,705,100	-
Restricted for:				
Debt service	1,486,977	-	1,486,977	-
Capital projects	2,442,345	-	2,442,345	-
State multi-district programs	41,954	-	41,954	-
Scholarships and awards	-	-	-	528,723
Unrestricted	(2,772,659)	1,220,259	(1,552,400)	-
Total net assets	\$ 125,397,672	\$ 11,726,304	\$ 137,123,976	\$ 528,723

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2005

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
Instruction	\$ 230,210,118	\$ 5,101,662	\$ 61,087,869	\$ (184,040,785)	\$ (184,040,785)	
Supporting services:						
Student	10,904,832	-	3,744,982	(7,159,850)	(7,159,850)	
Instructional staff	13,928,829	-	3,270,857	(10,658,172)	(10,658,172)	
District administration	2,779,347	-	67,239	(2,712,108)	(2,712,108)	
School administration	18,781,192	-	470,284	(18,310,908)	(18,310,908)	
Business administration	8,332,384	-	1,078,975	(7,253,409)	(7,253,409)	
Operation and maintenance of facilities	31,843,612	115,825	228,372	(31,499,415)	(31,499,415)	
Student transportation	9,691,248	-	6,052,048	(3,639,200)	(3,639,200)	
Interest on long-term liabilities	11,129,849	-	-	(11,129,849)	(11,129,849)	
Total governmental activities	337,601,409	5,217,487	75,980,224	(256,403,698)	(256,403,698)	
Business-type activities:						
School food services	18,939,064	7,653,133	9,400,416	-	114,485	114,485
Pioneer Adult Rehabilitation Center	7,597,058	6,991,536	697,503	-	91,981	91,981
Total business-type activities	24,536,122	14,644,669	10,097,919	-	206,466	206,466
Total primary government	\$ 362,137,531	\$ 19,862,156	\$ 86,078,143	(256,403,698)	(256,197,232)	
Component unit:	\$ 888,961	\$ -	\$ 958,136			\$ 69,175
Davis School District Foundation						
General revenues:						
Property taxes levied for:						
General purposes				45,875,875	-	45,875,875
Transportation				1,789,916	-	1,789,916
Recreation				2,553,765	-	2,553,765
Debt service				28,899,586	-	28,899,586
Capital outlay				10,046,025	-	10,046,025
Federal and state revenue not restricted to specific purposes				160,620,652	-	160,620,652
Interest				3,155,007	-	3,155,007
Miscellaneous				940,054	-	940,054
Total general revenues				253,880,880	-	253,880,880
Change in net assets				(2,522,818)	206,466	(2,316,352)
Net assets - beginning				127,920,490	11,519,838	139,440,328
Net assets - ending				\$ 125,397,672	\$ 11,726,304	\$ 137,123,976

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2005

	Major Funds			Other Fund	Total
	General	Debt Service	Capital Projects	Special Revenue	Governmental Funds
Assets:					
Cash and investments	\$ 23,499,771	\$ 49,468	\$ 39,928,452	\$ 23,096	\$ 63,500,787
Receivables:					
Property taxes	45,195,841	27,205,655	9,146,912	-	81,548,408
Other local	2,066,916	-	32,922	650	2,100,488
State of Utah	1,264,394	-	-	12,451	1,276,845
Federal government	15,166,144	-	-	9,782	15,175,926
Due from other funds	8,699,197	-	-	-	8,699,197
Inventories	1,395,663	-	24,229	-	1,419,892
Total assets	<u>\$ 97,287,926</u>	<u>\$ 27,255,123</u>	<u>\$ 49,132,515</u>	<u>\$ 45,979</u>	<u>\$ 173,721,543</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 960,474	\$ -	\$ 3,675,615	\$ 4,025	\$ 4,640,114
Notes payable	250,000	-	-	-	250,000
Accrued payroll and withholding	47,247,374	-	-	-	47,247,374
Due to other funds	-	965,404	-	-	965,404
Deferred revenue:					
Property taxes	43,550,470	26,317,325	8,817,838	-	78,685,633
Total Liabilities	<u>92,008,318</u>	<u>27,282,729</u>	<u>12,493,453</u>	<u>4,025</u>	<u>131,788,525</u>
Fund Balances:					
Reserved for:					
Inventories	1,395,663	-	24,229	-	1,419,892
Debt service	-	(27,606)	-	-	(27,606)
Unreserved:					
Designated for:					
Workers compensation	250,000	-	-	-	250,000
Undesignated, reported in:					
General fund	3,633,945	-	-	-	3,633,945
Capital projects fund	-	-	36,614,833	-	36,614,833
Special revenue funds	-	-	-	41,954	41,954
Total fund balances	<u>5,279,608</u>	<u>(27,606)</u>	<u>36,639,062</u>	<u>41,954</u>	<u>41,933,018</u>
Total liabilities and fund balances	<u>\$ 97,287,926</u>	<u>\$ 27,255,123</u>	<u>\$ 49,132,515</u>	<u>\$ 45,979</u>	<u>\$ 173,721,543</u>

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2005

Total fund balances for governmental funds \$ 41,933,018

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 24,888,069	
Construction in progress	35,036,119	
Buildings and improvements, net of \$184,925,653 accumulated depreciation	274,941,186	
Furniture and equipment, net of \$3,919,402 accumulated depreciation	2,446,935	
Transportation equipment, net of \$13,800,177 accumulated depreciation	<u>5,493,720</u>	342,806,029

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 2,473,309

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$620,839 and accrued interest for obligations under capital leases is \$79,102. (699,941)

Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$1,530,234 and accumulated amortization is \$243,095. 1,318,082

An internal service fund is used by management to charge the costs of warehouse services to individual funds and other school districts. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are: 19,633

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Bonds payable	(243,305,000)	
Unamortized premiums	(6,084,164)	
Unamortized refunding deferrals	1,271,511	
Obligations under capital leases	(6,783,640)	
Accrued vacation	(2,898,348)	
Accrued sick leave	(1,306,469)	
Accrued personal leave	(939,673)	
Early retirement payable	<u>(2,406,675)</u>	(262,452,458)

Total net assets - governmental activities \$ 125,397,672

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2005

	Major Governmental Funds			State Multi-District Special Revenue	Total Governmental Funds
	General	Debt Service	Capital Projects		
Revenues:					
Property taxes	\$ 50,230,127	\$ 28,899,586	\$ 10,046,025	\$ -	\$ 89,175,738
Interest	3,155,007	-	-	-	3,155,007
Other local sources	5,335,751	-	490,859	33,920	5,860,530
State of Utah	203,782,077	-	6,068,431	990,911	210,841,419
Federal government	25,749,675	-	-	9,782	25,759,457
Total revenues	288,252,637	28,899,586	16,605,315	1,034,613	334,792,151
Expenditures:					
Current:					
Instruction	203,008,357	-	-	1,170,920	204,179,277
Supporting services:					
Students	10,782,609	-	-	-	10,782,609
Instructional staff	13,826,643	-	-	-	13,826,643
District administration	2,758,154	-	-	-	2,758,154
School administration	18,186,049	-	-	-	18,186,049
Business administration	8,059,917	-	-	-	8,059,917
Operation and maintenance of facilities	30,770,797	-	-	-	30,770,797
Student transportation services	8,790,782	-	-	-	8,790,782
Capital outlay	-	-	47,246,910	-	47,246,910
Debt service:					
Tax anticipation note interest	792,515	-	-	-	792,515
Bond principal	-	18,995,000	-	-	18,995,000
Bond interest	-	9,921,781	-	-	9,921,781
Advance funding escrow	-	618,000	-	-	618,000
Bond issuance costs	-	161,541	245,003	-	406,544
Capital lease payments	293,893	-	1,004,628	-	1,298,521
Fees and miscellaneous charges	-	240,138	-	-	240,138
Total expenditures	297,269,716	29,936,460	48,496,541	1,170,920	376,873,637
Excess (deficiency) of revenues over (under) expenditures	(9,017,079)	(1,036,874)	(31,891,226)	(136,307)	(42,081,486)
Other financing sources (uses):					
General obligation bonds issued	-	-	52,200,000	-	52,200,000
General obligation bonds premium	-	-	1,082,905	-	1,082,905
Refunding bond issued	-	24,905,000	-	-	24,905,000
Refunding bond premium	-	1,894,757	-	-	1,894,757
Payment to refunded bond escrow agent	-	(26,020,216)	-	-	(26,020,216)
Capital leases	-	-	1,964,780	-	1,964,780
Sale of capital assets	-	-	373,294	-	373,294
Transfers	9,100,000	-	(9,100,000)	-	-
Total other financing sources (uses)	9,100,000	779,541	46,520,979	-	56,400,520
Net change in fund balances	82,921	(257,333)	14,629,753	(136,307)	14,319,034
Fund balances - beginning	5,196,687	229,727	22,009,309	178,261	27,613,984
Fund balances - ending	\$ 5,279,608	\$ (27,606)	\$ 36,639,062	\$ 41,954	\$ 41,933,018

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities Year Ended June 30, 2005

Net change in fund balances-total governmental funds	\$ 14,319,034
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, equipment with an initial, individual cost of more than \$5,000 and buildings and improvements with an initial, individual cost of more than \$100,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 33,137,365	
Gain on sale of capital assets	297,011	
Proceeds from sales of capital assets	(373,294)	
Depreciation expense	<u>(13,923,142)</u>	19,137,940

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Obligations under capital leases	(1,964,780)	
Interest expense - capital leases	(42,608)	
Principal payments of capital leases	<u>996,185</u>	(1,011,203)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due, however, in the statement of activities, interest expense is recognized as it accrues. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation bond proceeds	(52,200,000)	
General obligation refunding bonds issued	(24,905,000)	
Payment to refunded bond escrow agent	26,638,216	
Amortization of deferred amounts on refunding	(65,860)	
Bond premium	(2,977,662)	
Amortization of bond premium	314,610	
Bond issuance costs	406,544	
Amortization of bond issuance costs	(91,759)	
Repayment of bond principal	18,995,000	
Interest expense - general obligation bonds	<u>(79,221)</u>	(33,965,132)

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues increased this year.	(10,571)
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In the statement of activities, certain operating expenses - compensated absences (vacation and sick and personal leave) and special termination benefits (early retirement) - are recognized when earned during the year. In the governmental funds, however, these expenditures are recognized when actually paid). During this year, accruals changed by the following amounts:

Accrued vacation	(56,245)	
Accrued sick and personal leave	(71,714)	
Early retirement payable	<u>(850,071)</u>	(978,030)

Internal service funds are used by the District to charge the costs of warehouse services to individual funds. The change in net assets of the internal service funds is reported with governmental activities.	<u>(14,856)</u>
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Change in net assets of governmental activities	<u>\$ (2,522,818)</u>
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The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 52,209,800	\$ 52,472,300	\$ 50,230,127	\$ (2,242,173)
Interest	1,150,000	1,150,000	3,155,007	2,005,007
Other local sources	7,640,200	7,643,500	5,335,751	(2,307,749)
State of Utah	208,925,470	204,020,450	203,782,077	(238,373)
Federal government	25,111,287	27,918,561	25,749,675	(2,168,886)
Total revenues	295,036,757	293,204,811	288,252,637	(4,952,174)
Expenditures:				
Current:				
Instruction	206,465,657	206,266,911	203,302,250	2,964,661
Supporting services:				
Students	11,028,800	10,615,600	10,782,609	(167,009)
Instructional staff	14,245,400	13,893,900	13,826,643	67,257
District administration	2,490,000	2,754,400	2,758,154	(3,754)
School administration	18,562,700	18,209,500	18,186,049	23,451
Business administration	8,358,500	8,482,100	8,059,917	422,183
Operation and maintenance of facilities	33,152,800	31,933,300	30,770,797	1,162,503
Student transportation services	8,817,400	9,362,400	8,790,782	571,618
Debt service - interest on tax anticipation notes	400,000	786,700	792,515	(5,815)
Total expenditures	303,521,257	302,304,811	297,269,716	5,035,095
Excess of expenditures over revenues	(8,484,500)	(9,100,000)	(9,017,079)	82,921
Other financing sources (uses):				
Transfers	8,484,500	9,100,000	9,100,000	-
Net change in fund balances	-	-	82,921	82,921
Fund balances - beginning	5,196,687	5,196,687	5,196,687	-
Fund balances - ending	<u>\$ 5,196,687</u>	<u>\$ 5,196,687</u>	<u>\$ 5,279,608</u>	<u>\$ 82,921</u>

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Statements of Fund Net Assets Proprietary Funds June 30, 2005 and 2004

	Business-type Activities - Enterprise Funds					Governmental Activities -	
	Major Enterprise Fund -		Other Enterprise Fund -		Totals	Internal Service Fund	
	School Food Services		Pioneer Adult Rehab Center			District Warehouse	
	2005	2004	2005	2004	2005	2004	2004
Assets:							
Current assets:							
Cash and investments	\$ 590	\$ 420	\$ 601,806	\$ 1,059,364	\$ 602,396	\$ 1,059,784	\$ -
Receivables:							
Local	7,961	8,438	1,174,863	611,718	1,182,824	620,156	118,527
State of Utah	422,298	453,389	71,457	53,546	493,755	506,935	-
Federal government	230,612	216,384	-	-	230,612	216,384	-
Due from other funds	-	-	-	-	-	-	-
Inventories of supplies	1,416,750	1,621,392	-	-	1,416,750	1,621,392	3,155,005
Total current assets	2,078,211	2,300,023	1,848,126	1,724,628	3,926,337	4,024,651	3,626,196
Capital assets:							
Land	-	-	-	-	-	-	648,822
Buildings and improvements	6,981,395	6,981,395	3,516,219	3,660,322	10,497,614	10,641,717	1,519,215
Equipment	3,910,033	3,893,033	321,236	161,258	4,231,269	4,054,291	777,644
Accumulated depreciation	(3,295,134)	(2,870,021)	(927,704)	(822,453)	(4,222,838)	(3,692,474)	(1,016,229)
Net capital assets	7,596,294	8,004,407	2,909,751	2,999,127	10,506,045	11,003,534	1,929,452
Total assets	9,674,505	10,304,430	4,757,877	4,723,755	14,432,382	15,028,185	8,829,180
Liabilities:							
Current liabilities:							
Accounts payable	52,512	133,632	52,092	114,350	104,604	247,982	467,728
Compensation liability	16,938	18,327	12,463	10,663	31,401	28,990	14,543
Due to other funds	2,489,068	3,155,005	-	-	2,489,068	3,155,005	8,288,317
Total current liabilities	2,560,518	3,306,964	64,555	125,013	2,625,073	3,431,977	8,770,588
Long-term liabilities:							
Compensation liability	63,011	60,975	17,994	15,395	81,005	76,370	24,103
Total liabilities	2,623,529	3,367,939	82,549	140,408	2,706,078	3,508,347	8,794,691
Net assets:							
Invested in capital assets, net of related debt	7,596,294	8,004,407	2,909,751	2,999,127	10,506,045	11,003,534	1,929,452
Unrestricted	(545,318)	(1,067,916)	1,765,577	1,584,220	1,220,259	516,304	(1,894,963)
Total net assets	\$ 7,050,976	\$ 6,936,491	\$ 4,675,328	\$ 4,583,347	\$ 11,726,304	\$ 11,519,838	\$ 34,489

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Statements of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds

Years Ended June 30, 2005 and 2004

	Business-type Activities - Enterprise Funds						Governmental Activities -	
	Major Enterprise Fund -			Other Enterprise Fund -			Internal Service Fund	
	School Food Services			Pioneer Adult Rehab Center			District Warehouse	
	2005	2004		2005	2004	Totals	2005	2004
Operating revenues:								
Charges for services	\$ -	\$ -	\$ 6,940,406	\$ 6,809,824	\$ 6,809,824	\$ 6,809,824	\$ 1,431,655	\$ 1,493,336
Lunch sales	7,324,499	6,834,013	-	-	-	7,324,499	-	-
Interest	-	-	-	-	-	-	-	-
Other local	328,634	288,415	51,130	-	-	379,764	-	-
Total operating revenues	7,653,133	7,122,428	6,991,536	6,809,824	6,809,824	14,644,669	1,431,655	1,493,336
Operating expenses:								
Cost of food sold	7,975,481	7,515,236	-	-	-	7,975,481	-	-
Salaries and benefits	6,755,331	6,441,645	6,139,333	5,584,922	5,584,922	12,894,664	1,176,422	1,096,901
Depreciation	425,113	405,971	105,250	103,046	103,046	530,363	103,654	98,074
Indirect charges	664,842	518,856	174,505	215,759	215,759	839,347	35,121	38,225
Other	1,118,297	1,088,519	1,177,970	1,504,014	1,504,014	2,296,287	131,314	510,404
Total operating expenses	16,939,064	15,980,327	7,597,058	7,407,741	7,407,741	24,536,122	1,446,511	1,743,604
Operating income (loss)	(9,285,931)	(8,857,899)	(605,522)	(797,917)	(797,917)	(9,891,453)	(14,856)	(250,268)
Nonoperating income:								
Federal subsidies	6,164,786	5,420,418	-	-	-	6,164,786	-	-
Contributed food commodities	1,172,471	1,761,221	-	-	-	1,172,471	-	-
Local subsidies	-	1,581,264	-	-	-	-	-	41,250
State subsidies	2,063,159	1,631,891	697,503	726,688	726,688	2,760,662	-	-
Total nonoperating income	9,400,416	10,394,794	697,503	726,688	726,688	10,097,919	-	41,250
Change in net assets	114,485	1,536,895	91,981	(71,229)	(71,229)	206,466	(14,856)	(209,018)
Total net assets - beginning	6,936,491	5,399,596	4,583,347	4,654,576	4,654,576	11,519,838	34,489	243,507
Total net assets - ending	\$ 7,050,976	\$ 6,936,491	\$ 4,675,328	\$ 4,583,347	\$ 4,583,347	\$ 11,726,304	\$ 19,633	\$ 34,489

The notes to the financial statements are an integral part of these statements.

DAVIS SCHOOL DISTRICT

Statements of Fund Cash Flows Proprietary Funds

Years Ended June 30, 2005 and 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund District Warehouse	
	Major Enterprise Fund - School Food Services		Other Enterprise Fund - Pioneer Adult Rehab Center		Totals	
	2005	2004	2005	2004	2005	2004
Cash flows from operating activities:						
Receipts from interfund services provided	\$ 7,670,473	\$ 7,248,662	\$ 6,410,480	\$ 6,664,595	\$ 14,080,953	\$ 13,913,257
Receipts from customers	(9,128,584)	(7,752,225)	(1,414,733)	(1,645,838)	(10,543,287)	(9,397,863)
Payments to suppliers	(6,752,684)	(6,457,483)	(6,134,934)	(5,582,738)	(12,887,818)	(12,040,221)
Payments to employees	(8,210,775)	(6,981,046)	(1,139,187)	(563,781)	(9,349,962)	(7,524,927)
Net cash provided (used) by operating activities	6,164,786	5,420,418	-	-	6,164,786	5,420,418
Cash flows from noncapital financing activities:						
Receipt of federal subsidies	-	1,581,284	-	-	-	1,581,284
Receipt of local subsidies	2,063,159	1,631,891	697,503	726,888	2,760,862	2,358,579
Receipt of state subsidies	8,227,945	8,633,573	697,503	726,888	8,925,448	9,360,261
Net cash provided by noncapital financing activities	(17,000)	(1,672,207)	(15,874)	(1)	(32,874)	(1,672,208)
Cash flows from capital and related financing activities:						
Acquisition of capital assets	170	320	(457,558)	162,908	(457,388)	163,228
Net increase in cash and cash equivalents	420	100	1,059,364	896,458	1,059,784	896,558
Cash and cash equivalents - beginning	580	420	\$ 601,806	\$ 1,059,364	\$ 602,386	\$ 1,059,784
Cash and cash equivalents - ending	\$ (9,285,931)	\$ (8,857,899)	\$ (605,522)	\$ (797,917)	\$ (9,891,453)	\$ (9,655,816)
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	425,113	405,971	105,250	103,046	530,363	509,017
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	1,172,471	1,761,221	-	-	1,172,471	1,761,221
Depreciation expense	17,340	126,234	(581,056)	54,771	(563,716)	181,005
Donated food commodities	-	-	-	-	-	-
Changes in operating assets and liabilities:	204,642	(193,153)	-	-	204,642	(193,153)
Accounts receivable	(81,120)	83,539	(62,258)	74,135	(143,378)	157,674
Due from other funds	2,647	(15,838)	4,389	2,184	7,046	(13,654)
Inventories	(665,937)	(271,121)	-	-	(665,937)	(271,121)
Accounts payable	1,075,158	1,898,853	(533,665)	234,136	541,491	2,130,989
Compensation liability	\$ (8,210,775)	\$ (6,981,046)	\$ (1,139,187)	\$ (563,781)	\$ (9,349,962)	\$ (7,524,927)
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total adjustments	1,172,471	1,761,221	-	-	1,172,471	1,761,221
Net cash provided (used) by operating activities	-	-	-	-	-	-
Noncash investing, capital, and financing activities - contributed food commodities						

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT

Statement of Fiduciary Fund Net Assets
Agency Fund
June 30, 2005

	Student Activities Fund
Assets:	
Cash and investments	<u>\$ 6,253,747</u>
Liabilities	
Due to student organizations	<u>\$ 6,253,747</u>

The notes to the financial statements are an integral part of this statement.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Davis School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting entity – The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its component unit, Davis School District Foundation, a legally separate organization for which the District is considered to be financially accountable. The Foundation is reported as a separate column in the District's government-wide financial statements as a discretely presented component unit; the Foundation is reported as a governmental fund type. Complete financial statements for the Foundation may be obtained at the District's administrative office.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net assets and the statement of changes in net assets) display information about the primary government (the District) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instruction, school administration, and operation and maintenance of facilities) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds, including its fiduciary funds and component unit. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses result from transactions directly associated with the fund's principal services

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service Fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *Capital Projects Fund* account for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

The District reports the following major enterprise fund:

- The *School Food Services Fund* accounts for revenues, subsidies and expenses related to supplying meals to students and faculty.

Additionally, the District reports the following fund types:

- The *District Warehouse Internal Service Fund* (a proprietary fund) accounts for warehouse services provided to other funds of the District on a cost-reimbursement basis.
- The *Student Activities Agency Fund* (a fiduciary fund) accounts for monies held on behalf of student groups.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide and proprietary fund financial statements* are reported using the economic resources measurement focus. The government-wide, proprietary, and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgetary Data – The District operates within the budget requirements for school districts as specified by State Law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted on a District level for the *Student Activities Agency Fund*. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- By June 1 of each year, the District business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. Investments for the District, as well as for its component unit, are reported at fair value. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

The Utah Public Treasurers' Investment Fund (PTIF) operates in accordance with appropriate state laws and regulations. The reported value of the PTIF is the same as the fair value of the PTIF shares.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
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Cash and Cash Equivalents – The District considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the PTIF.

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “due to/from other funds” (i.e., current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories – Inventories are valued at cost or, if donated, at fair value when received, stated at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include land; buildings and improvements; furniture and equipment; and transportation equipment are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment, and transportation equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements and portable classrooms	20
Kitchen equipment appliances	15
Maintenance and applied technology equipment	15
School buses	10
Furniture and office equipment	10
Heavy trucks	7
Audio visual equipment	6
Light trucks	6
Copiers and printers	5
Other equipment and accessories	5
Passenger vehicles	5
Computer equipment and software	3

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. Nine-month full-time employees earn sick leave and personal leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for the current value of accumulated vacation days to a maximum of 30 days, and is reimbursed for unused personal leave days at an appropriate substitute rate. Upon retirement, employees are compensated for accumulated sick leave at 21% of the current value. All vacation pay, personal leave pay, and an estimated potential amount for sick leave pay, are accrued

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
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when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences will be paid by the fund in which the employee worked.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2005, as shown on the financial statements is as follows:

Carrying amount of deposits	\$25,824,212
Carrying amount of investments	45,034,846
Total cash and investments	<u>\$70,859,058</u>
Governmental funds cash and investments	\$64,103,183
Fiduciary fund cash and investments	6,253,747
Component unit cash and investments	502,128
Total cash and investments	<u>\$70,859,058</u>

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
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The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Rules of the Council allow Davis School District Foundation to invest private grants, contributions, and endowments in any deposit or investment authorized by the Act and certain investment funds, equity securities, fixed-income securities, and investment strategies with institutions that meet certain restrictions.

All of the District's investments are with the PTIF. The Foundation has deposits separate from the District and invests private funds through a broker.

Deposits – At June 30, 2005, the District and the Foundation have the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Davis County School District	\$25,496,562	\$21,340,578	\$ 100,000
Davis School District Foundation	327,650	327,649	100,000
Total deposits	<u>\$25,824,212</u>	<u>\$21,668,227</u>	<u>\$ 200,000</u>

- Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the uninsured amount of the District's and Foundation's bank deposits was uncollateralized.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Investments – At June 30, 2005, the District has \$44,860,368 invested in the Utah Public Treasurers' Investment Fund; the PTIF's credit rating is not rated. The Davis School District Foundation has \$58,779 invested in bond mutual funds which is also unrated. The District and the Foundation have the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Davis County School District: Utah Public Treasurers' Investment Fund (PTIF)	\$44,860,368	\$44,860,368	\$ -	\$ -	\$ -
Davis School District Foundation, a component unit of the District: Mutual funds investing in:					
Common stocks	102,706	102,706	-	-	-
Corporate bonds	58,779	58,779	-	-	-
Common stocks	12,993	12,993	-	-	-
Total Foundation	174,478	174,478	-	-	-
Total investments	\$45,034,846	\$45,034,846	\$ -	\$ -	\$ -

- **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.
- **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices.
- **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation's investments in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
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- **Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian. The Foundation's investments held in a brokerage account are covered by Securities Investor Protection Corporation up to \$500,000.

3. **PROPERTY TAXES**

The property tax revenue of the District is collected and distributed by the Davis County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30.

Beginning January 1, 1992, an annual uniform fee based on the value of motor vehicles was levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. Effective January 1, 1999, legislation required motor vehicles be subject to an "age-based" fee that is due each time a vehicle is registered. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion. The property taxes receivable and property taxes deferred revenue accounts in the governmental funds at June 30, 2005 are summarized as follows:

	General	Debt Service	Capital Projects	Total
Property taxes - receivable:				
Levied for current and prior years - collected during July and August 2005	\$ 1,645,371	\$ 888,330	\$ 329,074	\$ 2,862,775
Levied for current and prior years (delinquent)	1,377,800	817,340	278,169	2,473,309
Levied for future year	42,172,670	25,499,985	8,539,669	76,212,324
	<u>\$ 45,195,841</u>	<u>\$ 27,205,655</u>	<u>\$ 9,146,912</u>	<u>\$ 81,548,408</u>
Property taxes - deferred revenue:				
Levied for future year	\$ 42,172,670	\$ 25,499,985	\$ 8,539,669	\$ 76,212,324
Levied for current and prior years (delinquent)	1,377,800	817,340	278,169	2,473,309
Deferred property tax revenue - governmental funds, balance sheet	<u>\$ 43,550,470</u>	<u>\$ 26,317,325</u>	<u>\$ 8,817,838</u>	<u>\$ 78,685,633</u>

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 24,283,491	\$ 1,329,683	\$ (76,283)	\$ 25,536,891
Construction in progress	58,619,743	29,953,116	(53,536,740)	35,036,119
Total capital assets, not being depreciated	82,903,234	31,282,799	(53,613,023)	60,573,010
Capital assets, being depreciated:				
Buildings and improvements	407,860,224	53,525,830	-	461,386,054
Furniture and equipment	6,882,143	555,059	(220,486)	7,216,716
Transportation equipment	18,168,681	1,383,152	(257,936)	19,293,897
Total capital assets, being depreciated	432,911,048	55,464,041	(478,422)	487,896,667
Accumulated depreciation for:				
Buildings and improvements	173,338,797	12,128,827	-	185,467,624
Furniture and equipment	4,073,685	644,114	(220,486)	4,497,313
Transportation equipment	12,804,258	1,253,855	(257,936)	13,800,177
Total accumulated depreciation	190,216,740	14,026,796	(478,422)	203,765,114
Total capital assets, being depreciated, net	242,694,308	41,437,245	-	284,131,553
Governmental activities capital assets, net	<u>\$ 325,597,542</u>	<u>\$ 72,720,044</u>	<u>\$ (53,613,023)</u>	<u>\$ 344,704,563</u>
Business-type activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,641,717	\$ -	\$ -	\$ 10,641,717
Furniture and equipment	4,054,292	32,874	-	4,087,166
Total capital assets, being depreciated	14,696,009	32,874	-	14,728,883
Accumulated depreciation for:				
Buildings and improvements	1,505,484	269,663	-	1,775,147
Furniture and equipment	2,186,991	260,700	-	2,447,691
Total accumulated depreciation	3,692,475	530,363	-	4,222,838
Business-type activity capital assets, net	<u>\$ 11,003,534</u>	<u>\$ (497,489)</u>	<u>\$ -</u>	<u>\$ 10,506,045</u>

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 10,836,649
Supporting services:	
Students	122,223
Instructional staff	102,186
District administration	21,193
School administration	595,143
Business administration	272,467
Operation and maintenance of facilities	1,072,815
Student transportation	900,466
Capital assets held by the District's internal service fund are charged to the various functions based on their usage of the assets	<u>103,654</u>
Total depreciation expense, governmental activities	<u>\$ 14,026,796</u>
Business-type activities:	
School Food Services	\$ 425,113
Pioneer Adult Rehabilitation Center	<u>105,250</u>
	<u>\$ 530,363</u>

The District is obligated at June 30, 2005, under construction commitments as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
High School #8	\$ 45,000,000	\$ 16,224,267	\$ 28,775,733
North Davis Jr. High Reconstruction	19,851,000	17,885,346	1,965,654
Additions and renovations at various locations	<u>10,831,500</u>	<u>926,506</u>	<u>9,904,994</u>
Total	<u>\$ 75,682,500</u>	<u>\$ 35,036,119</u>	<u>\$ 40,646,381</u>

These commitments are partially funded by proceeds of bonds sold during the year. The fund balance in the capital projects fund of \$36,639,062 at June 30, 2005 includes unspent bond proceeds of \$34,395,784. The balance of funding necessary to fully fund these commitments will be generated by sale of additional general obligation bonds during the subsequent fiscal year.

5. RETIREMENT PLANS

Defined Benefit Plans – The District contributes to the State and School Contributory Retirement System and State and the School Noncontributory Retirement System (collectively, the Systems) which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Act in Chapter 49 provides for the administration

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
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of the URS and plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 1.00% of annual covered salary, and the District contributes 13.89% of annual covered salary. For employees participating in the State and School Noncontributory System, the District contributes 13.38% of annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The District's contributions to the State and School Contributory Retirement System for the years ended June 30, 2005, 2004, and 2003 are \$387,772, \$349,120, and \$341,161, respectively, and employee contributions were \$27,917, \$28,594, and \$31,272, respectively. The District's contributions to the State and School Noncontributory Retirement System for the years ended June 30, 2005, 2004, and 2003 are \$21,360,060, \$18,033,464, and \$17,654,409, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans – The District also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004 and 2003 are \$2,641,612, \$2,480,246, and \$2,630,337, respectively; the employee contributions for the years ending June 30, 2005, 2004 and 2003 are \$3,389,929, \$3,357,841, and \$3,711,506, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$369,730, \$282,731, and \$274,932 for the years ended June 30, 2005, 2004, and 2003, respectively. The assets of the plan are administered and held by URS.

Early Retirement Incentive – The District provides an early retirement incentive program. Eligibility is restricted to those employees with a minimum of ten years of service in the District, and who meet the eligibility requirements for and will be receiving Utah State Retirement System benefits. Eligible retirees will receive a contribution of 16% of their annual salary per year, for up to three consecutive years, into a qualified 401(a) and/or 403(b) plan, or until they become eligible to receive unreduced social security benefits, whichever occurs first. Employees who retire under the incentive program will continue to be enrolled in group medical and dental programs until they become eligible for Medicare, or for 10 consecutive years following retirement, whichever comes first. Enrollment is contingent upon the retiree contributing the same premium as required of active employees for the first 3 years and the full premium for the following 7 years. The District's direct payments to retirees in the years ended June 30, 2005 and 2004 are \$782,916 and \$1,330,389, respectively. Future retirement payments of employees who have elected early retirement are recognized on an accrual basis as an expense in the government-wide statements in the year of retirement. This liability is paid from the fund from which the employee retires.

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

7. RISK MANAGEMENT

The District also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund (Fund). The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Fund. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. The Fund is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to the Fund; the Fund obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the participants' pay experience rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District is self-insured for worker's compensation claims up to \$250,000 per incident. Worker's compensation claims are processed by a third party administrator. The District has not established a reserve for either claims outstanding or for claims incurred but not reported (IBNR) because management believes the amount to be immaterial to the financial statements. During the year ended June 30, 2005, the District paid claims in the amount of \$520,886. A co-insurance policy will provide for individual claims in excess of \$250,000.

8. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 is as follows:

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 210,890,000	\$ 77,105,000	\$ (44,690,000)	\$ 243,305,000	\$ 19,940,000
Deferred amounts for issuance premium	3,506,743	2,892,031	(314,610)	6,084,164	-
Deferred amounts on refunding	(349,846)	(987,525)	65,860	(1,271,511)	-
Total bonds payable, net	214,046,897	79,009,506	(44,938,750)	248,117,653	19,940,000
Obligations under capital leases	5,815,045	1,964,780	(996,185)	6,783,640	1,322,904
Accrued vacation	2,877,556	2,065,186	(2,004,188)	2,938,554	2,046,672
Accrued sick leave	1,282,530	226,376	(198,932)	1,309,974	203,189
Accrued personal leave	895,091	583,087	(538,505)	939,673	565,326
Early retirement payable	1,556,604	1,632,987	(782,916)	2,406,675	819,757
Total governmental activity long-term liabilities	\$ 226,473,723	\$ 85,481,922	\$ (49,459,476)	\$ 262,496,169	\$ 24,897,848
Business-type activities:					
Accrued vacation	\$ 39,517	\$ 54,417	\$ (48,141)	\$ 45,793	\$ 13,290
Accrued sick leave	32,210	4,550	(4,875)	31,885	8,927
Accrued personal leave	33,633	31,512	(30,417)	34,728	9,184
Total business-type activity long-term liabilities	\$ 105,360	\$ 90,479	\$ (83,433)	\$ 112,406	\$ 31,401

General Obligation Bonds – The District issues general obligation bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and procurement of other equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Payments on the general obligation bonds are made by the *Debt Service Fund* from property taxes.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments are listed as follows:

Year ending June 30,	Principal	Interest	Total
2006	\$ 19,940,000	\$ 11,009,634	\$ 30,949,634
2007	21,305,000	9,790,658	31,095,658
2008	21,930,000	8,938,714	30,868,714
2009	21,530,000	8,016,083	29,546,083
2010	18,880,000	7,114,927	25,994,927
2011-2015	86,650,000	22,589,430	109,239,430
2016-2020	53,070,000	5,419,694	58,489,694
Total	\$ 243,305,000	\$ 72,879,140	\$ 316,184,140

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in Davis County. The legal debt limit at June 30, 2005 is \$674,742,631, with

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

general obligation debt outstanding, net of deferred amounts for issuance premiums and on refundings, of \$248,117,653, resulting in a legal debt margin of \$426,624,978.

General obligation school building bonds payable at June 30, 2005, with their outstanding balance are comprised of the following individual issues:

Bond Series 1997 - GO Bonds - original issue of \$40,000,000 with interest rates ranging from 4.25% to 5.38 %	\$ 6,475,000
Bond Series 1999 - GO Refunding Bonds - original issue of \$40,525,000 with interest rates ranging from 4.0% to 4.5%	24,255,000
Bond Series 2001 - GO Bonds - original issue of \$10,000,000 with interest rates ranging from 3.5% to 5.0%	3,650,000
Bond Series 2002A - GO Refunding Bonds - original issue of \$27,240,000 with interest rates ranging from 3.25% to 5.5%	21,950,000
Bond Series 2002B - GO Bonds - original issue of \$42,000,000 with interest rates ranging from 4.0% to 5.15%	24,875,000
Bond Series 2003 - GO Bonds - original issue of \$38,930,000 with interest rates ranging from 2.0% to 5.0%	32,970,000
Bond Series 2003B - GO Bonds - original issue of \$55,000,000 with interest rates ranging from 2.0% to 4.5%	52,025,000
Bond Series 2005A - GO Bonds - original issue of \$52,200,000 with interest rates ranging from 3.0% to 5.0%	52,200,000
Bond Series 2005B - GO Refunding Bonds - original issue of \$24,905,000 with interest rates ranging from 3.5% to 5.0%	24,905,000
	<u>\$ 243,305,000</u>

Advance Refunding – April 13, 2005 – The District issued \$24,905,000 of general obligation refunding bonds (Series 2005B) to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$25,695,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$987,525. This amount is being netted against the new debt and amortized over the life of the new refunding bonds, which is shorter than the remaining life of the refunded bonds. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$752,015 and resulted in an economic gain of \$526,417.

Bond Election – On February 15, 2002, by a 89.6% margin the public voted to authorize the District to issue \$190,000,000 of general obligation school building bonds for new school construction, land acquisition, renovation and maintenance of existing school facilities, and classroom additions. The 2005A General Obligation Bonds issued in April 2005 of \$52,200,000 completed the \$190,000,000 authorization.

Subsequent Event – On July 5, 2005 the District issued \$25,000,000 par value tax anticipation notes, bearing interest at 4.0%. The notes are due on June 30, 2006. Notes payable balance in governmental funds at year-end of \$250,000 represents a good-faith deposit on the notes that was received prior to year-end.

Capital Leases – During the years ended June 30, 2005, 2004 and 2003, the District purchased \$1,964,780, \$951,000, and \$1,808,860, respectively, of capital equipment through capital leasing arrangements in the

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Capital Projects Fund. The capital equipment, consisting of computers and other instructional equipment, telecommunication and maintenance equipment, is used throughout the District to enhance learning and the learning environment. Lease payments for the years ended June 30, 2005 and 2004 totaled \$996,185 and \$1,246,131, respectively.

At June 30, 2005, the District has \$6,783,640 in outstanding capital leases. Of that amount, \$1,322,904 will be paid off in 2006; \$1,078,863 in 2007; \$1,126,983 in 2008; \$1,181,345 in 2009, \$564,334 in 2010, and \$1,509,211 in 2011-2014.

Future minimum lease obligations as of June 30, 2005, are as follows:

Year Ending June 30,	General Fund	Capital Projects	Total
2006	\$ 667,213	\$ 945,211	\$ 1,612,424
2007	666,325	651,137	1,317,462
2008	670,046	647,367	1,317,413
2009	668,199	652,842	1,321,041
2010	-	651,654	651,654
2011-2014	-	1,628,278	1,628,278
Total minimum lease payments	2,671,783	5,176,489	7,848,272
Amount representing interest	(287,003)	(777,629)	(1,064,632)
Present value of minimum lease payments	<u>\$ 2,384,780</u>	<u>\$ 4,398,860</u>	<u>\$ 6,783,640</u>

9. INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service - District Warehouse	\$ 7,733,793
Internal Service - District Warehouse	Enterprise - School Food Services	2,489,068
General	Debt Service	965,404
Total		<u>\$ 11,188,265</u>

During the year, the *Capital Projects Fund* transferred \$9,100,000 to the *General Fund*. This represents taxes levied and collected under the ten percent of basic tax levy which by state law is allowed to be used for capital projects, debt service, purchase of buses, supplies, textbooks, and other equipment.

10. LITIGATION AND LEGAL COMPLIANCE

There are several lawsuits pending in which the District is involved. The District's counsel and insurance carriers estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not materially effect the financial statements of the District.

All fund balances are positive at June 30, 2005, except for the debt service fund which has a \$27,606 deficit. Fund expenditures are within amounts budgeted for the year.

11. GRANTS

DAVIS SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *General Fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

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Individual Fund Statements And Schedules

General Fund – The General Fund is used to account for all financial resources applicable to the general operations of the District which are not required to be accounted for in another fund. Utah law defines the General Fund as the Maintenance and Operations Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources. Financing is provided by an annual property tax levy for General Obligation Debt as authorized by Utah Code 11-14-19.

Capital Projects Fund – The Capital Projects Fund is used to account for the resources used in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment for the education programs for all students within the District. Financing is provided by an annual property tax levy not to exceed .0024 and an additional levy to generate an amount not to exceed 10% of the cost of the basic program as authorized by Utah Code 53 A-16-107 and 53 A-17a-145. Also, State funds can be obtained by qualifying under guidelines established for districts determined to be in critical need for construction building aid.

State Multi-District Program Fund – The State Multi-District Program Fund is used to account for resources provided by the State for operation of state-wide or regional public education programs.

DAVIS SCHOOL DISTRICT**Comparative Balance Sheet
General Fund****Year Ended June 30, 2005
With Comparative Totals for 2004**

	<u>2005</u>	<u>2004</u>
Assets:		
Cash and investments	\$ 23,499,771	\$ 32,258,480
Receivables:		
Property taxes	45,195,841	43,626,516
Other local	2,066,916	2,136,822
State of Utah	1,264,394	3,151,561
Federal government	15,166,144	2,586,226
Due from other funds	8,699,197	8,938,398
Inventories	1,395,663	819,464
Total assets	<u>\$ 97,287,926</u>	<u>\$ 93,517,467</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 960,474	\$ 803,197
Notes payable	250,000	250,000
Accrued payroll and withholding	47,247,374	45,185,233
Deferred revenue:		
Property taxes	43,550,470	42,082,350
Total Liabilities	<u>92,008,318</u>	<u>88,320,780</u>
Fund balances:		
Reserved for inventories	1,395,663	819,464
Unreserved:		
Designated for workers compensation	250,000	250,000
Undesignated	3,633,945	4,127,223
Total fund balances	<u>5,279,608</u>	<u>5,196,687</u>
Total liabilities and fund balances	<u>\$ 97,287,926</u>	<u>\$ 93,517,467</u>

DAVIS SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 52,472,300	\$ 50,230,127	\$ (2,242,173)	\$ 47,712,528
Interest	1,150,000	3,155,007	2,005,007	871,855
Other local sources	7,643,500	5,335,751	(2,307,749)	3,607,063
State of Utah	204,020,450	203,782,077	(238,373)	198,984,982
Federal government	27,918,561	25,749,675	(2,168,886)	24,355,326
Total revenues	293,204,811	288,252,637	(4,952,174)	275,531,754
Expenditures:				
Current:				
Instruction	206,266,911	203,302,250	2,964,661	193,971,439
Supporting services:				
Students	10,615,600	10,782,609	(167,009)	10,253,567
Instructional staff	13,893,900	13,826,643	67,257	13,606,938
District administration	2,754,400	2,758,154	(3,754)	2,555,220
School administration	18,209,500	18,186,049	23,451	17,458,085
Business administration	8,482,100	8,059,917	422,183	7,704,925
Operation and maintenance of facilities	31,933,300	30,770,797	1,162,503	29,447,103
Student transportation services	9,362,400	8,790,782	571,618	8,457,092
Debt service - interest on tax anticipation notes	786,700	792,515	(5,815)	419,055
Total expenditures	302,304,811	297,269,716	5,035,095	283,873,424
Excess of expenditures over revenues	(9,100,000)	(9,017,079)	82,921	(8,341,670)
Other financing sources (uses):				
Transfers	9,100,000	9,100,000	-	8,837,400
Net change in fund balances	-	82,921	82,921	495,730
Fund balance - beginning	5,196,687	5,196,687	-	4,700,957
Fund balance - ending	\$ 5,196,687	\$ 5,279,608	\$ 82,921	\$ 5,196,687

DAVIS SCHOOL DISTRICT

Comparative Balance Sheet

Major Debt Service Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
Assets:		
Cash and investments	\$ 49,468	\$ -
Receivables -		
Property taxes	<u>27,205,655</u>	<u>25,628,320</u>
Total assets	<u>\$ 27,255,123</u>	<u>\$ 25,628,320</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ -	\$ 600
Due to other funds	965,404	650,081
Deferred revenue:		
Property taxes	<u>26,317,325</u>	<u>24,747,912</u>
Total Liabilities	<u>27,282,729</u>	<u>25,398,593</u>
Fund balances:		
Reserved for debt service	(27,606)	229,727
Unreserved:		
Total fund balances	<u>(27,606)</u>	<u>229,727</u>
Total liabilities and fund balances	<u>\$ 27,255,123</u>	<u>\$ 25,628,320</u>

DAVIS SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Major Debt Service Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 29,187,523	\$ 28,899,586	\$ (287,937)	\$ 27,952,903
Expenditures:				
Debt service:				
Bond principal	18,995,000	18,995,000	-	22,780,000
Bond interest	9,922,250	9,921,781	469	7,898,464
Advance funding escrow		618,000	(618,000)	-
Refunding bond issuance costs	160,000	161,541	(1,541)	-
Other	340,000	240,138	99,862	419,313
Total expenditures	29,417,250	29,936,460	(519,210)	31,097,777
Excess (deficiency) of revenues over (under) expenditures	(229,727)	(1,036,874)	(807,147)	(3,144,874)
Other financing sources (uses):				
Refunding bonds issued	24,900,000	24,905,000	(5,000)	-
Premium on refunding bond	1,900,000	1,894,757	5,243	-
Payment to refunded bond escrow agent	(26,800,000)	(26,020,216)	(779,784)	-
Total other financing sources (uses)	-	779,541	(779,541)	-
Net change in fund balances	(229,727)	(257,333)	27,606	(3,144,874)
Fund balance - beginning	229,727	229,727	-	3,374,601
Fund balance - ending	\$ -	\$ (27,606)	\$ 27,606	\$ 229,727

DAVIS SCHOOL DISTRICT

Comparative Balance Sheet Major Capital Projects Fund

Year Ended June 30, 2005

With Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
Assets:		
Cash and investments	\$ 39,928,452	\$ 24,684,151
Receivables:		
Property taxes	9,146,912	8,741,187
Other local	32,922	183,601
Inventories	24,229	-
Total assets	<u>\$ 49,132,515</u>	<u>\$ 33,608,939</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 3,675,615	\$ 3,175,808
Deferred revenue:		
Property taxes	8,817,838	8,423,822
Total Liabilities	<u>12,493,453</u>	<u>11,599,630</u>
Fund balances:		
Reserved for inventories	24,229	-
Unreserved:		
Designated for capital projects	36,614,833	22,009,309
Total fund balances	<u>36,639,062</u>	<u>22,009,309</u>
Total liabilities and fund balances	<u>\$ 49,132,515</u>	<u>\$ 33,608,939</u>

DAVIS SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Major Capital Projects Fund Year Ended June 30, 2005 With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 10,484,300	\$ 10,046,025	\$ (438,275)	\$ 9,801,214
Earnings on investments	-	-	-	-
Other local revenue	430,000	490,859	60,859	395,812
Total local sources	10,914,300	10,536,884	(377,416)	10,197,026
State building aid	6,068,431	6,068,431	-	5,528,319
Federal government	-	-	-	96,065
Total revenues	16,982,731	16,605,315	(377,416)	15,821,410
Expenditures:				
Buildings and improvements	51,140,940	37,439,137	13,701,803	53,750,072
Equipment	4,442,100	8,414,993	(3,972,893)	6,524,183
Bond issuance costs	-	245,003	(245,003)	280,544
Capital lease payments	1,200,000	1,004,628	195,372	1,197,413
Other capital outlay	1,682,300	1,392,780	289,520	1,618,679
Total expenditures	58,465,340	48,496,541	9,968,799	63,370,891
Excess (deficiency) of revenues over (under) expenditures	(41,482,609)	(31,891,226)	9,591,383	(47,549,481)
Other Financing Sources (Uses):				
General obligation bonds issued	52,200,000	52,200,000	-	55,000,000
General obligation bonds premium	1,000,000	1,082,905	82,905	1,327,852
Sale of capital assets	373,300	373,294	(6)	1,872,161
Capital leases	-	1,964,780	1,964,780	951,000
Transfers	(9,100,000)	(9,100,000)	-	(8,837,400)
Total other financing sources (uses)	44,473,300	46,520,979	2,047,679	50,313,613
Net change in fund balances	2,990,691	14,629,753	11,639,062	2,764,132
Fund balance - beginning	22,009,309	22,009,309	-	19,245,177
Fund balance - ending	\$ 25,000,000	\$ 36,639,062	\$ 11,639,062	\$ 22,009,309

DAVIS SCHOOL DISTRICT

Comparative Balance Sheet State Multi-District Program Fund Nonmajor Special Revenue Fund Year Ended June 30, 2005 With Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
Assets:		
Cash and investments	\$ 23,096	\$ 152,890
Receivables:		
Other local	650	44,168
State of Utah	12,451	-
Federal government	9,782	-
Total assets	<u>\$ 45,979</u>	<u>\$ 197,058</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 4,025	\$ 18,797
Total Liabilities	<u>4,025</u>	<u>18,797</u>
Fund balances:		
Designated for State multi-district programs	<u>41,954</u>	<u>178,261</u>
Total fund balances	<u>41,954</u>	<u>178,261</u>
Total liabilities and fund balances	<u>\$ 45,979</u>	<u>\$ 197,058</u>

DAVIS SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual State Multi-District Program Fund Nonmajor Special Revenue Fund Year Ended June 30, 2005 With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local revenue	\$ 41,900	\$ 33,920	\$ (7,980)	\$ 100,947
State grants	956,000	990,911	34,911	904,063
Federal grants	121,930	9,782	(112,148)	54,028
Total revenues	1,119,830	1,034,613	(85,217)	1,059,038
Expenditures:				
Salaries and benefits	5,900	14,040	(8,140)	172,053
Purchased services	1,127,991	1,044,638	83,353	752,398
Supplies and equipment	164,200	112,242	51,958	148,661
Total expenditures	1,298,091	1,170,920	127,171	1,073,112
Net change in fund balances	(178,261)	(136,307)	41,954	(14,074)
Fund balances - beginning	178,261	178,261	-	192,335
Fund balances - ending	\$ -	\$ 41,954	\$ 41,954	\$ 178,261

DAVIS SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities Student Activities Agency Fund Year Ended June 30, 2005

	Balances at June 30, 2004	Additions	Deductions	Balances at June 30, 2005
Assets:				
Cash and investments	\$ 6,232,763	\$ 14,691,386	\$ 14,670,402	\$ 6,253,747
Liabilities:				
Due to student organizations:				
Elementary Schools:				
Adams	\$ 14,596	\$ 40,301	\$ 45,508	\$ 9,389
Adelaide	26,760	31,752	30,549	27,963
Antelope	17,109	44,934	36,724	25,319
Bluffridge	27,565	59,075	74,580	12,060
Boulton	17,129	71,758	70,864	18,023
Bountiful	21,692	44,452	46,340	19,804
Burton	30,353	43,695	58,756	15,292
Centerville	28,940	33,264	32,275	29,929
Clinton	17,398	48,779	42,298	23,879
Columbia	16,233	46,090	43,248	19,075
Cook	35,229	57,052	58,233	34,048
Creekside	16,455	40,239	34,685	22,009
Crestview	11,217	26,230	21,227	16,220
Doxey	12,070	19,455	24,632	6,893
Eagle Bay	1,256	32,134	29,782	3,608
East Layton	18,821	55,715	60,919	13,617
Farmington	18,566	16,058	13,862	20,762
Fremont	17,840	33,117	34,868	16,089
Heritage	27,903	69,189	50,870	46,222
Hillfield	32,049	26,906	25,711	33,244
Holbrook	8,666	32,399	33,032	8,033
Holt	26,618	35,043	44,340	17,321
Kaysville	7,892	40,617	40,315	8,194
King	12,299	50,142	41,975	20,466
Knowlton	40,410	59,277	78,422	21,265
Lakeside	33,459	51,076	47,320	37,215
Layton	23,102	30,611	41,390	12,323
Lincoln	7,123	52,178	42,690	16,611
Meadowbrook	27,521	39,227	35,280	31,468
Morgan	16,093	36,128	30,609	21,612
Mountain View	38,454	59,473	70,325	27,602
Muir	9,758	46,451	37,753	18,456
Oak Hills	3,640	31,782	30,743	4,679
Orchard	23,663	91,050	99,961	14,752
Reading	24,838	35,934	34,276	26,496
Sand Springs	-	26,115	18,684	7,431
South Clearfield	9,309	21,054	21,520	8,843
South Weber	24,296	70,455	66,852	27,899
Stewart	17,762	66,323	68,442	15,643
Sunset	10,060	35,320	37,042	8,338
Syracuse	46,945	60,765	81,053	26,657
Taylor	15,461	30,864	35,802	10,523
Tolman	6,016	24,121	20,830	9,307

(continued)

DAVIS SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities (Concluded)

Student Activities Agency Fund

Year Ended June 30, 2005

	Balances at June 30, 2004	Additions	Deductions	Balances at June 30, 2005
Liabilities (continued):				
Due to student organizations (continued):				
Elementary Schools (continued):				
Vae View	\$ 25,088	\$ 31,076	\$ 30,609	\$ 25,555
Valley View	2,833	25,155	23,058	4,930
Wasatch	10,361	28,392	33,806	4,947
Washington	13,466	18,108	16,461	15,113
West Bountiful	87	47,001	38,084	9,004
West Clinton	20,189	54,393	46,654	27,928
West Point	37,808	78,284	86,042	30,050
Whitesides	37,624	32,977	34,551	36,050
Windridge	39,722	44,759	42,388	42,093
Woods Cross	9,140	23,849	25,766	7,223
Total elementary schools	<u>1,038,884</u>	<u>2,250,594</u>	<u>2,272,006</u>	<u>1,017,472</u>
Junior High Schools:				
Bountiful	35,686	162,376	151,350	46,712
Centerville	155,070	166,897	245,582	76,385
Central Davis	102,692	184,176	192,906	93,962
Fairfield	72,549	251,937	240,513	83,973
Farmington	169,175	278,429	277,283	170,321
Kaysville	135,954	245,468	267,265	114,157
Millcreek	103,278	196,739	176,986	123,031
Mueller Park	49,322	163,703	148,258	64,767
North Davis	161,728	161,417	167,281	155,864
North Layton	223,137	219,759	235,201	207,695
South Davis	45,433	288,536	283,525	50,444
Sunset	108,636	215,098	224,749	98,985
Syracuse	87,576	199,502	211,022	76,056
West Point	36,862	270,706	265,585	41,983
Total junior high schools	<u>1,487,098</u>	<u>3,004,743</u>	<u>3,087,506</u>	<u>1,404,335</u>
High Schools:				
Bountiful	490,551	1,033,589	1,077,470	446,670
Clearfield	686,362	1,250,044	1,148,414	787,992
Davis	710,376	1,684,714	1,714,881	680,209
Layton	426,905	1,081,592	1,035,460	473,037
Northridge	546,638	1,372,196	1,434,616	484,218
Viewmont	484,167	1,429,478	1,385,329	528,316
Woods Cross	321,699	1,081,735	1,020,222	383,212
Total high schools	<u>3,666,698</u>	<u>8,933,348</u>	<u>8,816,392</u>	<u>3,783,654</u>
Special Schools:				
Mountain High	2,173	28,728	26,974	3,927
Canyon Heights	12,305	16,409	14,789	13,925
Head Start	25,605	457,564	452,735	30,434
Total special schools	<u>40,083</u>	<u>502,701</u>	<u>494,498</u>	<u>48,286</u>
Total liabilities	<u>\$ 6,232,763</u>	<u>\$ 14,691,386</u>	<u>\$ 14,670,402</u>	<u>\$ 6,253,747</u>

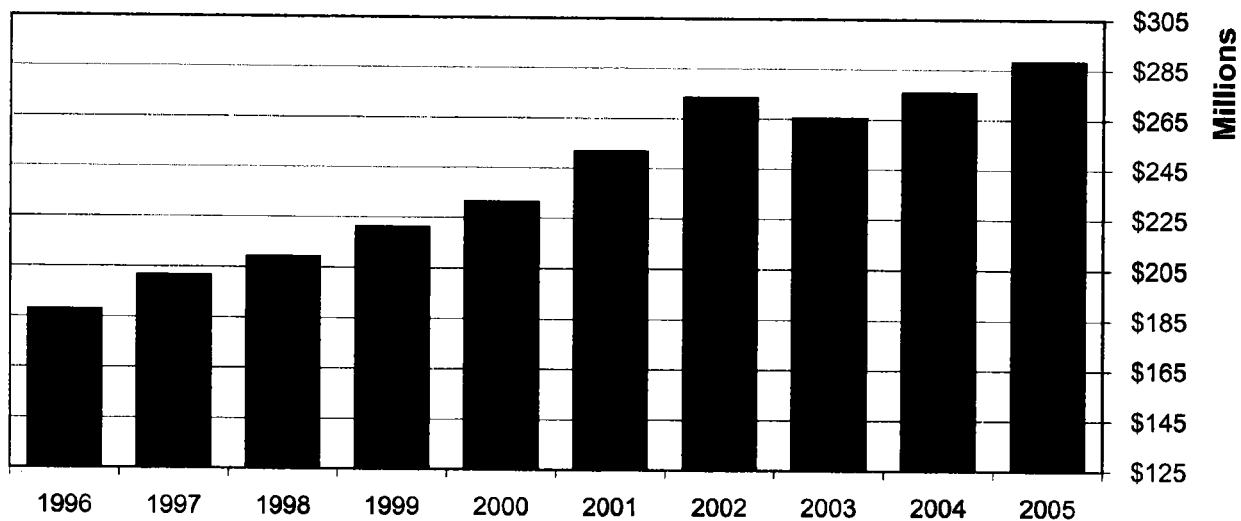
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DAVIS SCHOOL DISTRICT

General Fund Revenues by Source Years Ended June 30, 1996 to 2005

Year	Property Taxes	Investment Interest	Other Local	State Sources	Federal Sources	Total All Sources
2005	\$ 50,230,127	\$ 3,155,007	\$ 5,335,751	\$ 203,782,077	\$ 25,749,675	\$ 288,252,637
2004	47,712,528	871,855	3,607,063	198,984,982	24,355,326	275,531,754
2003	44,887,220	1,106,111	7,355,442	190,266,732	21,611,930	265,227,435
2002	42,148,392	1,614,129	7,415,114	200,689,538	21,401,596	273,268,769
2001	38,243,300	1,695,912	6,248,331	188,070,289	17,395,869	251,653,701
2000	34,339,375	1,445,402	4,619,200	176,538,595	14,337,980	231,280,552
1999	31,010,710	1,492,142	4,316,091	172,219,500	12,004,234	221,042,677
1998	27,431,494	1,537,129	4,195,575	165,404,962	10,552,281	209,121,441
1997	26,190,464	1,794,050	3,925,110	160,909,196	8,557,437	201,376,257
1996	27,104,375	1,891,125	3,921,802	145,200,887	9,639,541	187,757,730

Total Revenues (All Sources)



DAVIS SCHOOL DISTRICT

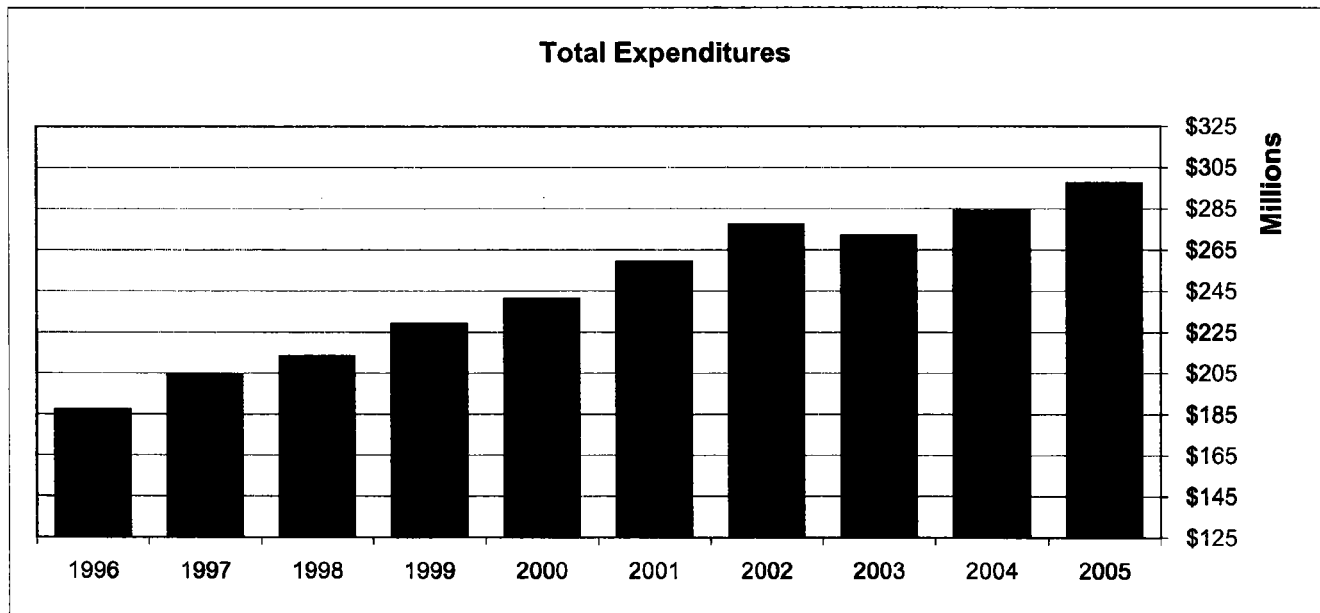
General Fund Expenditures by Function Years Ended June 30, 1996 to 2005

Year	Instruction	Supporting Services*	Maintenance & Operation of Facilities	Student Transportation	Community Services**	Other	Total Expenditures
2005	\$ 203,113,604	\$ 53,613,372	\$ 30,770,797	\$ 8,790,782	\$ 188,646	\$ 792,515	\$ 297,269,716
2004	193,786,083	51,578,735	29,447,103	8,457,092	185,356	419,055	283,873,424
2003	188,982,156	48,656,009	25,739,092	7,751,334	188,210	731,250	272,048,051
2002	191,589,777	50,069,990	27,237,645	7,383,557	198,451	735,417	277,214,837
2001	176,466,202	46,878,900	26,985,100	7,478,059	205,809	1,029,583	259,043,653
2000	164,736,386	42,358,404	25,971,933	7,465,336	183,831	530,115	241,246,005
1999	159,277,759	38,129,145	23,858,572	6,833,635	157,527	558,917	228,815,555
1998	149,288,867	34,397,345	22,476,266	6,320,798	156,766	544,931	213,184,973
1997	143,820,724	32,781,282	21,081,485	6,032,415	156,215	570,517	204,442,638
1996	131,577,884	29,035,841	20,009,816	5,814,920	147,043	519,444	187,104,948

* Includes the following Supporting Services:

Student, Instructional Staff, District Administration, School Administration, Business Administration and Central

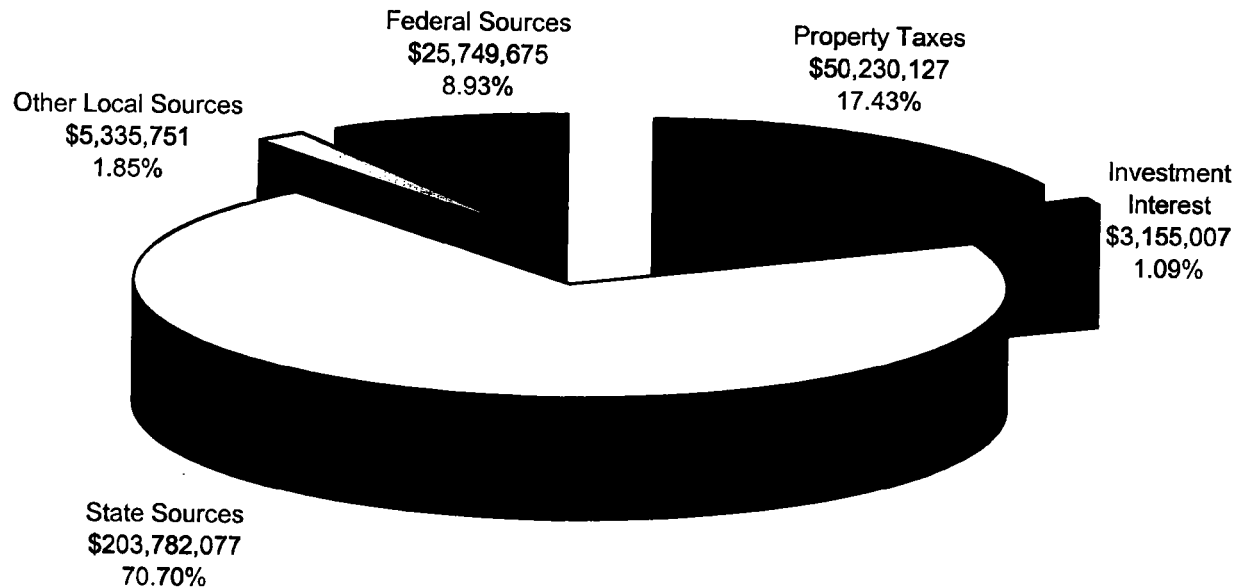
** included with instruction in the financial statements



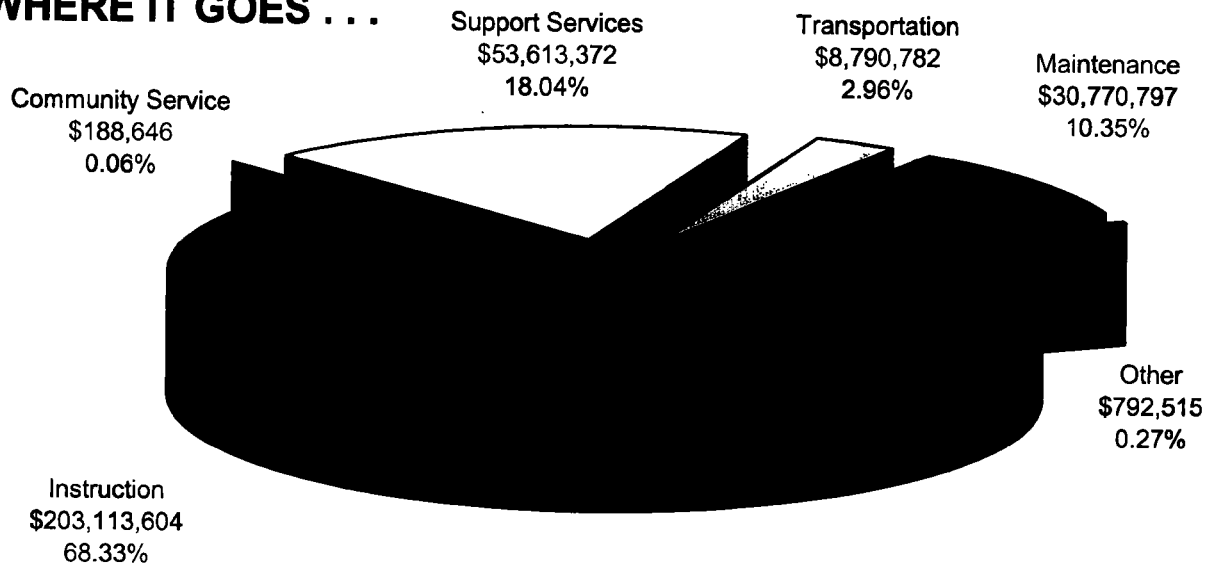
DAVIS SCHOOL DISTRICT

General Fund Revenues and Expenditures - Graphical Representation Year Ended June 30, 2005

WHERE IT COMES FROM . . .



WHERE IT GOES . . .



DAVIS SCHOOL DISTRICT
Property Tax Levies and Collections
Total District
Years Ended December 31, 1995 to 2004

Calendar Year	Assessed (Taxable) Valuation	Tax Rate	Current Taxes Assessed	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections*	Ratio of Total Tax Collections to Current Taxes Assessed	Outstanding Delinquent Taxes
2004	\$ 10,254,421,720	0.007821	\$ 77,870,844	\$ 73,207,446	94.01%	\$ 3,294,977	\$ 76,502,423	98.24%	\$ 2,486,355
2003	9,786,712,158	0.007731	75,661,072	71,635,764	94.68%	3,255,858	74,891,622	98.98%	2,483,880
2002	9,400,676,209	0.007610	71,539,146	67,537,541	94.41%	3,058,126	70,595,667	98.68%	2,435,333
2001	9,116,550,644	0.007600	69,285,785	62,783,169	90.61%	2,393,374	65,176,543	94.07%	2,647,528
2000	8,203,417,609	0.007513	61,632,277	56,749,376	95.30%	2,004,403	60,408,594	98.01%	2,292,924
1999	7,673,534,335	0.007370	56,553,948	53,986,399	95.46%	1,922,834	55,909,233	98.86%	2,226,403
1998	7,222,549,359	0.007393	53,396,308	51,169,904	95.83%	1,832,442	53,002,346	99.26%	2,144,150
1997	6,502,812,841	0.007604	49,447,389	47,241,864	95.54%	1,386,461	48,628,325	98.34%	1,369,884
1996	5,649,097,249	0.007408	42,501,476	41,011,660	96.49%	1,413,771	42,425,431	99.82%	1,504,957
1995	5,022,272,712	0.008339	43,239,552	41,648,109	96.32%	886,426	42,534,535	98.37%	1,340,693

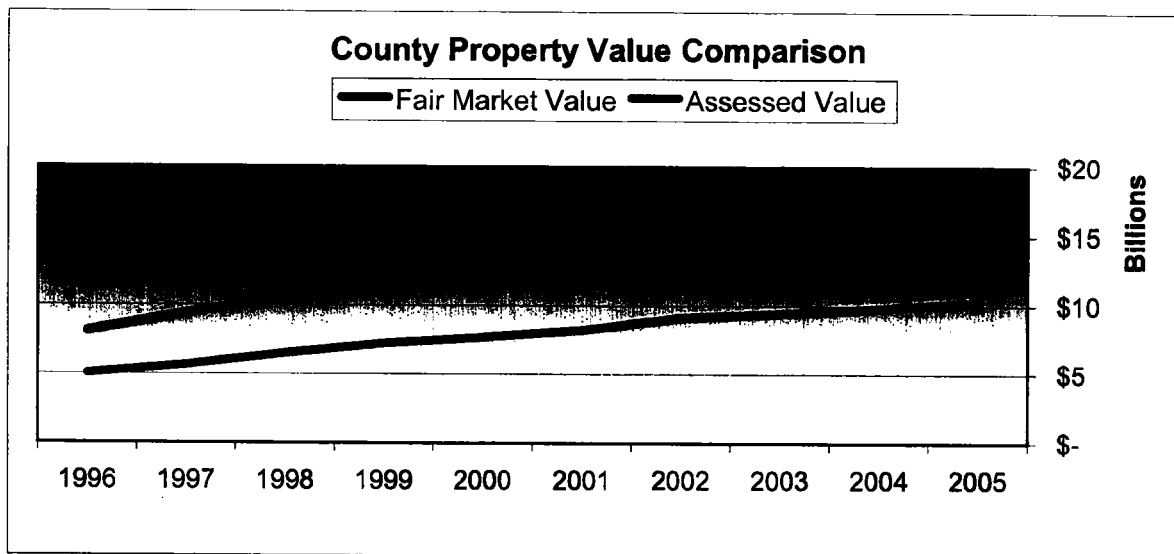
* Cash Basis

Property tax amounts include motor vehicle fees received

DAVIS SCHOOL DISTRICT

Assessed and Estimated Fair Market Value of Taxable Property Years Ended June 30, 1996 to 2005

Year	Assessed (Taxable) Value	Estimated Fair Market Value	Ratio of Assessed Value to Estimated Fair Market Value
2005	\$ 10,254,421,720	\$ 15,667,356,241	65.5%
2004	9,786,712,158	14,509,725,213	67.4%
2003	9,400,676,209	14,205,806,672	66.2%
2002	9,116,550,644	13,920,405,974	65.5%
2001	8,203,417,609	12,789,345,628	64.1%
2000	7,673,534,335	12,092,080,432	63.5%
1999	7,222,549,359	11,406,243,914	63.3%
1998	6,502,812,841	10,477,371,981	62.1%
1997	5,649,097,249	9,347,487,432	60.4%
1996	5,022,272,712	8,058,662,174	62.3%



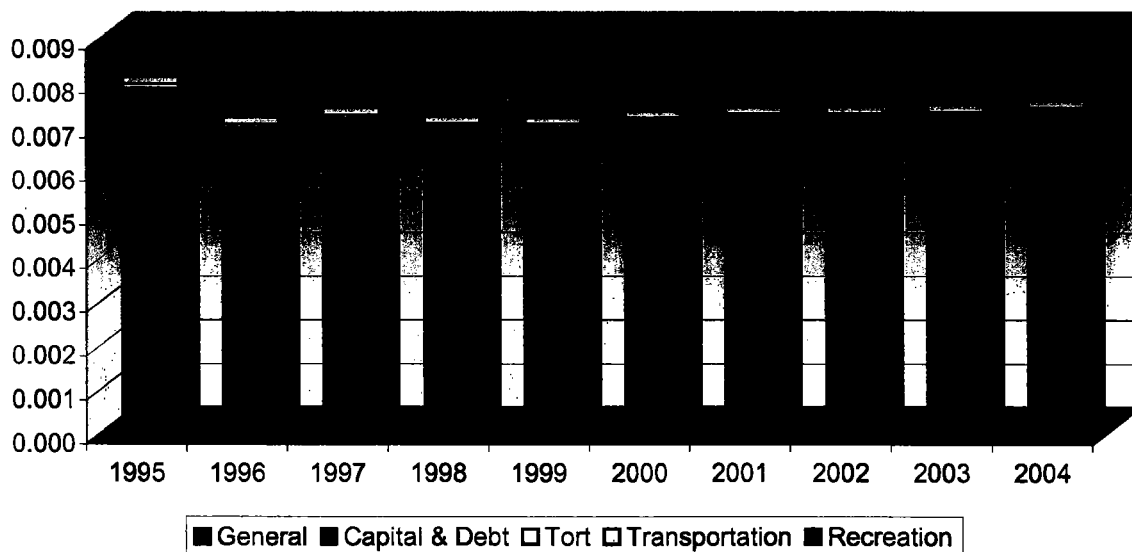
DAVIS SCHOOL DISTRICT

Comparative District Tax Rates Total District

Years Ended December 31, 1995 to 2004

Calendar Year	General	Capital Outlay & Debt Service	Tort Liability	Special Transportation	Recreation	Total
2004	0.003921	0.003446	0.000073	0.000157	0.000224	0.007821
2003	0.003825	0.003450	0.000073	0.000158	0.000225	0.007731
2002	0.003803	0.003443	0.000072	0.000146	0.000146	0.007610
2001	0.003792	0.003444	0.000072	0.000146	0.000146	0.007600
2000	0.003690	0.003454	0.000073	0.000148	0.000148	0.007513
1999	0.003438	0.003553	0.000075	0.000152	0.000152	0.007370
1998	0.003294	0.003717	0.000076	0.000153	0.000153	0.007393
1997	0.003157	0.004050	0.000079	0.000159	0.000159	0.007604
1996	0.003301	0.003680	0.000085	0.000171	0.000171	0.007408
1995	0.003886	0.004008	0.000089	0.000178	0.000178	0.008339

Total District Tax Rate



DAVIS SCHOOL DISTRICT

Property Tax Rates - Direct and Overlapping Governments (Per \$1.00 of Taxable Valuation)

Years Ended December 31, 1995 to 2004

Calendar Year	County Funds	County Library	Davis County Schools	Cities and Towns	Miscellaneous Taxing Districts
2004	0.001948	0.000432	0.007821	0.001666	0.000800
2003	0.001954	0.000434	0.007731	0.001661	0.000818
2002	0.001650	0.000431	0.007610	0.001579	0.000835
2001	0.001664	0.000431	0.007600	0.001481	0.001059
2000	0.001710	0.000435	0.007513	0.001562	0.000831
1999	0.001833	0.000287	0.007370	0.001633	0.000584
1998	0.002648	0.000298	0.007393	0.001679	0.000412
1997	0.002848	0.000321	0.007604	0.001881	0.000455
1996	0.003013	0.000335	0.007408	0.001853	0.000422
1995	0.003410	0.000382	0.008339	0.002062	0.000423

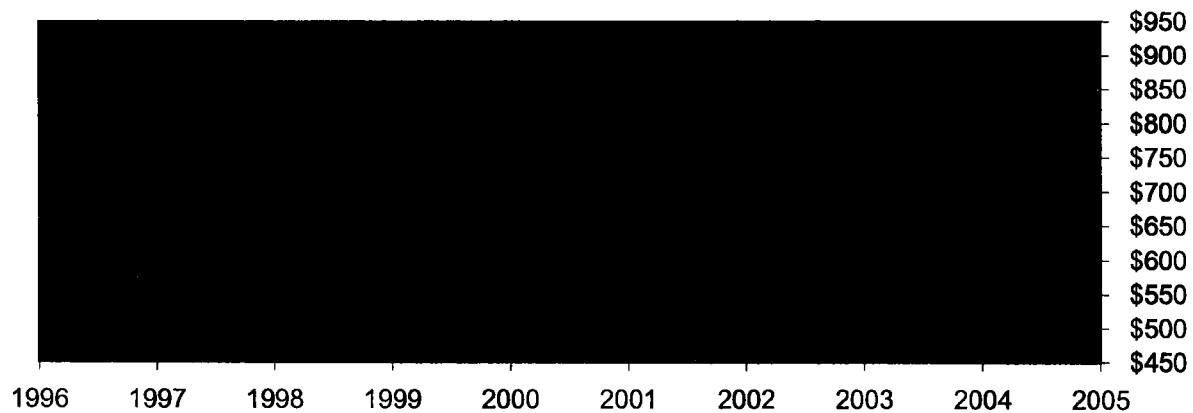
DAVIS SCHOOL DISTRICT

Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt Per Capita Years Ended June 30, 1996 to 2005

Year	Estimated Population*	Assessed Valuation	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
2005	269,000	\$10,254,421,720	\$ 243,305,000	2.37%	\$ 904.48
2004	256,000	9,786,712,158	210,890,000	2.15%	823.79
2003	248,000	9,400,676,209	178,670,000	1.90%	720.44
2002	244,000	9,116,550,644	157,665,000	1.73%	646.17
2001	238,994	8,203,417,609	122,695,000	1.50%	513.38
2000	237,000	7,673,534,335	154,145,000	2.01%	650.40
1999	230,000	7,222,549,359	143,045,000	1.98%	621.93
1998	223,319	6,502,812,841	117,305,000	1.80%	525.28
1997	219,644	5,649,097,249	127,800,000	2.26%	581.85
1996	216,633	5,022,272,712	137,765,000	2.74%	635.94

1- Source: Davis County Department of Community & Economic Development

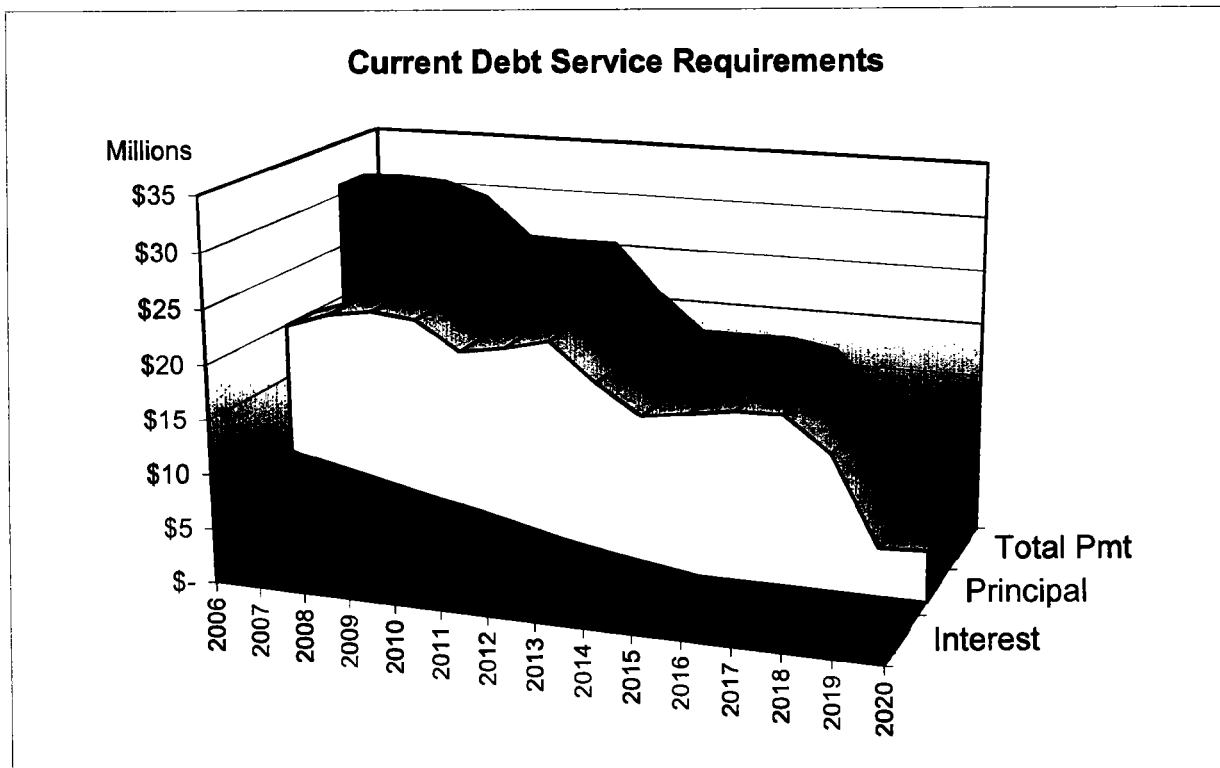
Net Bonded Debt Per Capita



DAVIS SCHOOL DISTRICT

Debt Service Requirements Years Ended June 30, 2006 to 2020

Principal Payments Due on June 1	Principal	Interest	Total Payment
2006	\$ 19,940,000	\$ 11,009,634	\$ 30,949,634
2007	21,305,000	9,790,658	31,095,658
2008	21,930,000	8,938,714	30,868,714
2009	21,530,000	8,016,083	29,546,083
2010	18,880,000	7,114,926	25,994,926
2011	19,580,000	6,298,458	25,878,458
2012	20,575,000	5,357,533	25,932,533
2013	17,115,000	4,367,438	21,482,438
2014	14,380,000	3,595,050	17,975,050
2015	15,000,000	2,970,950	17,970,950
2016	15,675,000	2,306,119	17,981,119
2017	15,715,000	1,607,406	17,322,406
2018	12,575,000	910,181	13,485,181
2019	4,460,000	392,769	4,852,769
2020	4,645,000	203,219	4,848,219
	\$ 243,305,000	\$ 72,879,136	\$ 316,184,136



DAVIS SCHOOL DISTRICT

Outstanding General Obligation Bonds - Detail

Years Ended June 30, 2006 to 2020

PRINCIPAL

	1997 40,000,000	1999 40,525,000	2001 10,000,000	2002A 27,240,000	2002B 42,000,000	2003 38,930,000	2003B 55,000,000	2005A 52,200,000	2005B 24,905,000	Total
2006	3,175,000	4,835,000	395,000	2,035,000	2,325,000	1,955,000	3,275,000	1,945,000	0	19,940,000
2007	3,300,000	5,055,000	410,000	2,110,000	2,425,000	2,015,000	3,350,000	2,640,000	0	21,305,000
2008	0	5,205,000	425,000	2,210,000	2,525,000	2,095,000	3,425,000	2,745,000	3,300,000	21,930,000
2009	0	6,205,000	445,000	3,640,000	2,625,000	2,180,000	3,550,000	2,885,000	0	21,530,000
2010	0	2,955,000	465,000	3,790,000	2,725,000	2,265,000	3,650,000	3,030,000	0	18,880,000
2011	0	0	480,000	3,965,000	2,850,000	2,380,000	3,750,000	3,180,000	2,975,000	19,580,000
2012	0	0	505,000	4,200,000	3,000,000	2,500,000	3,900,000	3,340,000	3,130,000	20,575,000
2013	0	0	525,000	0	3,125,000	2,625,000	4,050,000	3,505,000	3,285,000	17,115,000
2014	0	0	0	0	3,275,000	2,755,000	4,225,000	3,645,000	480,000	14,380,000
2015	0	0	0	0	0	2,865,000	4,400,000	3,810,000	3,925,000	15,000,000
2016	0	0	0	0	0	2,985,000	4,600,000	3,965,000	4,125,000	15,675,000
2017	0	0	0	0	0	3,110,000	4,800,000	4,120,000	3,685,000	15,715,000
2018	0	0	0	0	0	3,240,000	5,050,000	4,285,000	0	12,575,000
2019	0	0	0	0	0	0	0	4,460,000	0	4,460,000
2020	0	0	0	0	0	0	0	4,645,000	0	4,645,000
Total	6,475,000	24,255,000	3,650,000	21,950,000	24,875,000	32,970,000	52,025,000	52,200,000	24,905,000	243,305,000

INTEREST

	1997	1999	2001	2002A	2002B	2,003	2003B	2005A	2005B	Total
2006	309,881	1,061,156	158,408	1,012,838	1,150,638	1,423,869	1,938,313	2,569,430	1,385,103	11,009,634
2007	155,100	849,625	142,608	936,525	1,046,013	1,365,219	1,864,625	2,208,794	1,222,150	9,790,658
2008	0	628,469	126,208	852,125	936,888	1,284,619	1,785,063	2,103,194	1,222,150	8,938,714
2009	0	400,750	108,145	758,200	823,263	1,200,819	1,682,313	1,965,944	1,076,650	8,016,083
2010	0	129,281	89,233	603,500	705,138	1,113,619	1,575,813	1,821,694	1,076,650	7,114,926
2011	0	0	69,470	432,950	582,513	1,000,369	1,466,313	1,670,194	1,076,650	6,298,458
2012	0	0	48,470	220,875	451,413	881,369	1,316,313	1,511,194	927,900	5,357,533
2013	0	0	26,250	0	308,913	756,369	1,160,313	1,344,194	771,400	4,367,438
2014	0	0	0	0	160,475	625,119	998,313	1,203,994	607,150	3,595,050
2015	0	0	0	0	0	514,919	829,313	1,039,969	586,750	2,970,950
2016	0	0	0	0	0	396,738	631,313	887,569	390,500	2,306,119
2017	0	0	0	0	0	269,875	424,313	728,969	184,250	1,607,406
2018	0	0	0	0	0	137,700	208,313	564,169	0	910,181
2019	0	0	0	0	0	0	0	392,769	0	392,769
2020	0	0	0	0	0	0	0	203,219	0	203,219
Total	464,981	3,069,281	768,790	4,817,013	6,165,250	10,970,600	15,880,625	20,215,292	10,527,303	72,879,136

TOTAL PAYMENT

	1997	1999	2001	2002A	2002B	2,003	2003B	2005A	2005B	Total
2006	3,484,881	5,896,156	553,408	3,047,838	3,475,638	3,378,869	5,213,313	4,514,430	1,385,103	30,949,634
2007	3,455,100	5,904,625	552,608	3,046,525	3,471,013	3,380,219	5,214,625	4,848,794	1,222,150	31,095,658
2008	0	5,833,469	551,208	3,062,125	3,461,888	3,379,619	5,210,063	4,848,194	4,522,150	30,868,714
2009	0	6,605,750	553,145	4,398,200	3,448,263	3,380,819	5,232,313	4,850,944	1,076,650	29,546,083
2010	0	3,084,281	554,233	4,393,500	3,430,138	3,378,619	5,225,813	4,851,694	1,076,650	25,994,926
2011	0	0	549,470	4,397,950	3,432,513	3,380,369	5,216,313	4,850,194	4,051,650	25,878,458
2012	0	0	553,470	4,420,875	3,451,413	3,381,369	5,216,313	4,851,194	4,057,900	25,932,533
2013	0	0	551,250	0	3,433,913	3,381,369	5,210,313	4,849,194	4,056,400	21,482,438
2014	0	0	0	0	3,435,475	3,380,119	5,223,313	4,848,994	1,087,150	17,975,050
2015	0	0	0	0	0	3,379,919	5,229,313	4,849,969	4,511,750	17,970,950
2016	0	0	0	0	0	3,381,738	5,231,313	4,852,569	4,515,500	17,981,119
2017	0	0	0	0	0	3,379,875	5,224,313	4,848,969	3,869,250	17,322,406
2018	0	0	0	0	0	3,377,700	5,258,313	4,849,169	0	13,485,181
2019	0	0	0	0	0	0	0	4,852,769	0	4,852,769
2020	0	0	0	0	0	0	0	4,848,219	0	4,848,219
Total	6,939,981	27,324,281	4,418,790	26,767,013	31,040,250	43,940,600	67,905,625	72,415,292	35,432,303	316,184,136

DAVIS SCHOOL DISTRICT

Computation of Legal Debt Margin

Year Ended June 30, 2005

Estimated 2004 "Fair Market Value" **	<u>\$ 16,868,565,774</u>
Debt limit at 4% of assessed value	\$ 674,742,631
Less amount of debt applicable to debt limit	<u>(248,117,653)</u>
Legal debt margin	<u>\$ 426,624,978</u>

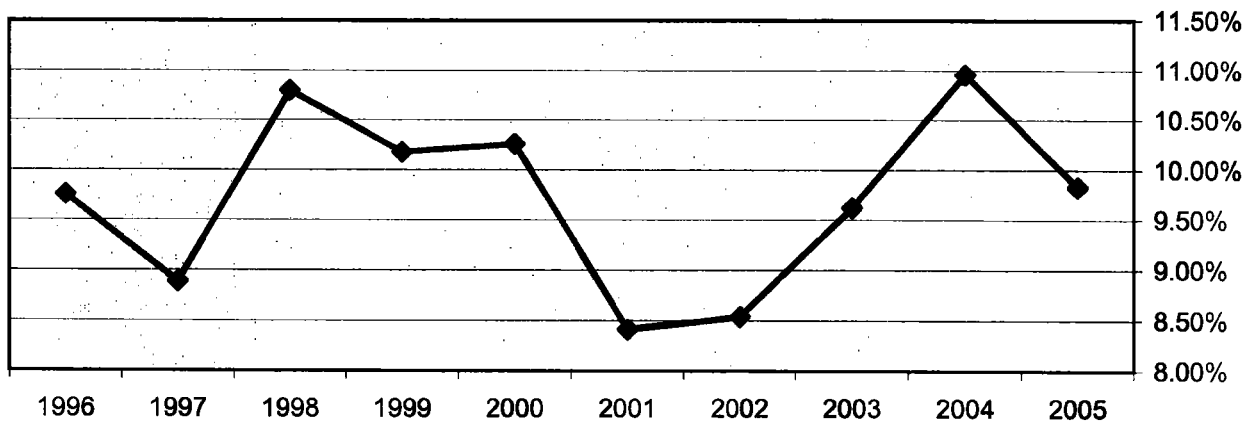
** In computing "Fair Market Value" the estimated value of all tax equivalent property related to motor vehicles and motor homes on which uniform fees are collected in lieu of property tax has been included. This property is only included for calculating debt incurring capacity. (\$1,418,638,154 for 2004).

DAVIS SCHOOL DISTRICT

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures Years Ended June 30, 1996 to 2005

Year	Total Debt Service Expenditures	Total General Fund Expenditures	Ratio of Debt Service to General Fund Expenditures
2005	\$ 29,206,387	\$ 297,269,716	9.82%
2004	31,097,777	283,873,424	10.95%
2003	26,162,096	272,048,051	9.62%
2002	23,220,400	277,214,837	8.54%
2001	23,303,650	259,043,653	8.41%
2000	24,747,074	241,246,005	10.26%
1999	23,287,421	228,815,555	10.18%
1998	23,013,328	213,184,973	10.80%
1997	18,158,669	204,442,638	8.88%
1996	18,246,683	187,104,948	9.75%

Ratio of Debt Service to General Fund Expenditures



DAVIS SCHOOL DISTRICT

Overlapping General Obligation Debt Year Ended June 30, 2005

Entity	2004 Taxable Value (2)	Davis School District's Portion of Assessed Valuation	Davis School District's % of Total Taxable Valuation	Entity's Outstanding G.O. Debt	Davis School District's Portion of Overlapping G.O. Debt
State of Utah	\$ 123,433,932,853	\$ 10,254,421,720	8.3%	\$ 1,514,510,000	\$ 125,704,330
Davis County	10,254,421,720	10,254,421,720	100.0%	3,380,000	3,380,000
1 Weber Basin Water Conservancy District	25,843,934,691	10,254,421,720	39.7%	36,603,445	14,531,568
North Davis County Sewer District	5,811,304,851	4,806,923,556	82.7%	33,595,000	27,783,065
3 South Davis Recreation District	3,713,280,530	3,713,280,530	100.0%	18,400,000	18,400,000
1 Clearfield City	1,044,214,065	1,044,214,065	100.0%	12,090,000	-
Farmington City	574,376,240	574,376,240	100.0%	2,885,000	2,885,000
1 Clinton City	436,635,345	436,635,345	100.0%	769,000	-
1 West Bountiful City	239,801,872	239,801,872	100.0%	2,136,000	-
1 South Weber Water Improvement District	207,939,933	207,939,933	100.0%	110,595	-
1 South Weber City	169,705,630	169,705,630	100.0%	263,000	-
TOTAL					\$ 192,683,963
Total overlapping general obligation debt (excluding the State)					66,979,633
Total direct general obligation debt					243,305,000
Total direct and overlapping general obligation debt					\$ 310,284,633

1 - All or portions of this governmental entity's outstanding general obligation debt are supported by user fee revenue from water or sewer. The District's portion of overlapping general obligation debt does not include "user fee revenue" supported general obligation debt.

2 - 2004 final values are preliminary and subject to change. Taxable value used in this table excludes the taxable value used to determine uniform fees on tangible personal property.

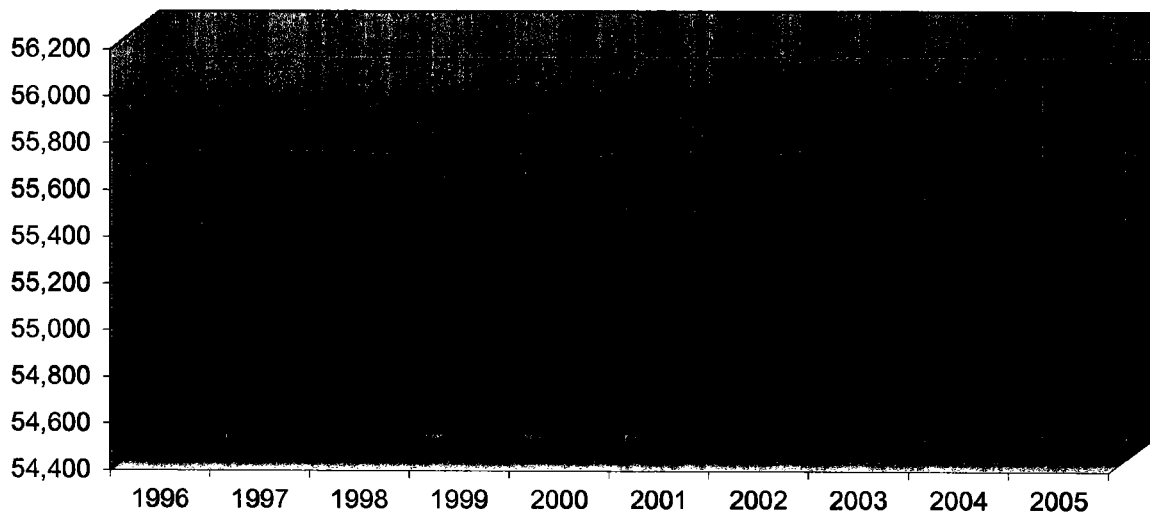
3 - The South Davis Recreation District members include the cities of Bountiful, Centerville, North Salt Lake, Woods Cross, and West Bountiful.

DAVIS SCHOOL DISTRICT

Average Daily Membership Years Ended June 30, 1996 to 2005

Year	Average Daily Membership	Annual Increase / (Decrease)
2005	56,029	378
2004	55,651	148
2003	55,503	101
2002	55,402	9
2001	55,393	(232)
2000	55,625	27
1999	55,598	459
1998	55,139	125
1997	55,014	(321)
1996	55,335	1,339

Average Daily Membership



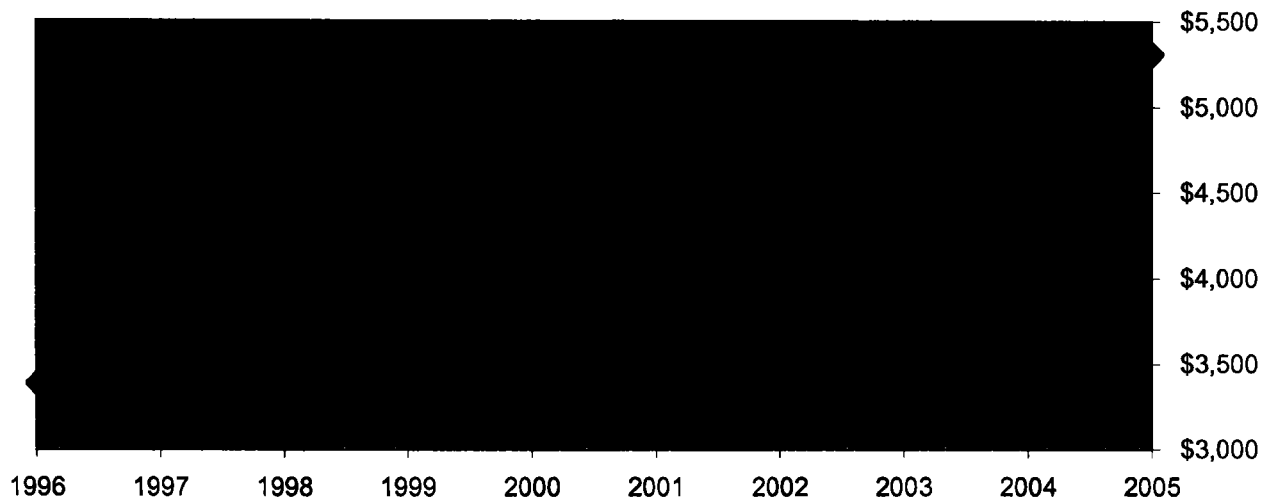
DAVIS SCHOOL DISTRICT

Net Current General Fund Expenditures per Average Daily Membership Years Ended June 30, 1996 to 2005

Year	Average Daily Membership	Total General Fund Expenditures	Expenditures per Average Membership
2005	56,029	\$ 297,269,716 **	\$ 5,306
2004	55,651	283,873,424 **	5,101
2003	55,503	272,048,051 **	4,902
2002	55,402	277,214,837 **	5,004
2001	55,393	259,043,653 **	4,676
2000	55,625	241,246,005	4,337
1999	55,598	228,815,555	4,116
1998	55,139	213,184,973	3,866
1997	55,014	204,442,638	3,716
1996	55,335	187,104,948	3,381

** Due to GASB Statement No. 34, starting in FY2001 the District combines the Vocational Homes Fund and the District Services Fund with the General Fund Expenditures.

Expenditures per Average Daily Membership



DAVIS SCHOOL DISTRICT

Demographic Statistics Davis County

Years Ended December 31, 1995 to 2004

Year	County Population (1)	Per Capita Income (3)	Births (2)	Deaths (2)	Unemployment Rate Expressed as a Percentage (4)	District Average Daily Membership
2004	269,000	\$ 27,525	2,974	1,666	4.5%	56,029
2003	256,000	26,943	2,890	1,072	5.2%	55,651
2002	248,000	25,947	2,840	1,038	5.2%	55,503
2001	244,000	25,430	2,967	963	3.9%	55,402
2000	238,994	25,064	2,781	943	3.0%	55,393
1999	237,000	23,405	2,755	910	3.5%	55,625
1998	230,000	22,650	2,647	866	3.5%	55,598
1997	223,319	21,599	2,635	809	2.9%	55,139
1996	219,644	20,091	2,693	783	3.2%	55,014
1995	216,633	18,885	2,687	737	3.4%	55,335

- 1 - Source: Davis County Department of Community & Economic Development
2 - Source: Davis County Health Department - Vital Statistics
3 - Source: U.S. Bureau of Economic Analysis - 2004 per capita figure is preliminary
4 - Source: Utah Department of Workforce Services - Labor Information Division

DAVIS SCHOOL DISTRICT

Principal Taxpayers within Davis County Year Ended December 31, 2004

Taxpayer	Type of Business	2004 Taxable Valuation	Percent of Total Taxable Valuation \$10,254,421,720
Freeport Center Associates	Distribution / Warehouse	\$143,926,225	1.40%
Chevron U.S.A. Inc.	Petroleum Refinery	98,583,892	0.96%
Layton Hills LLC	Layton Mall / Sales	85,478,056	0.83%
Qwest Communications	Communications	77,934,901	0.76%
PacifiCorp	Electrical Distribution	70,827,969	0.69%
Smith's Food and Drug	Distribution / Stores	60,385,306	0.59%
Big West Oil	Petroleum Distribution	56,126,189	0.55%
Albertsons	Distribution / Stores	55,915,157	0.55%
Lifetime Products	Manufacturing	44,161,350	0.43%
Questar Gas	Natural Gas Utility	40,362,019	0.39%

DAVIS SCHOOL DISTRICT

Major Employers within Davis County Year Ended December 31, 2004

Business	Type of Business	Employees	
Hill Air Force Base	US Government Air Force Base	10,000	- 23,000
Davis School District	K - 12 Education	5,000	- 7,000
Lagoon Inc.	Amusement Park	1,000	- 2,000
Lifetime Products, Inc.	Manufacturing / basketball stnd.	1,000	- 2,000
Associates Commerce Solutions	Personal credit institutions	500	- 1,000
Davis Hospital and Medical Center	Hospital	500	- 1,000
Hospital Corporation of Utah (Bntfl)	Hospital	500	- 1,000
Icon Health and Fitness	Manufacturing	500	- 1,000
Management & Training Corp	Job training / vocational rehabilitation	500	- 1,000
Smith's Distribution Center	Food distribution	500	- 1,000
South Davis Community Hospital	Hospital	500	- 1,000
TRW Sig	Engineering services	500	- 1,000
Utility Trailer and Manufacturing	Manufacturing utility trucks	500	- 1,000
Wal-Mart	Department stores	500	- 1,000

DAVIS SCHOOL DISTRICT

Labor Market Data Davis County Year Ended December 31, 2004

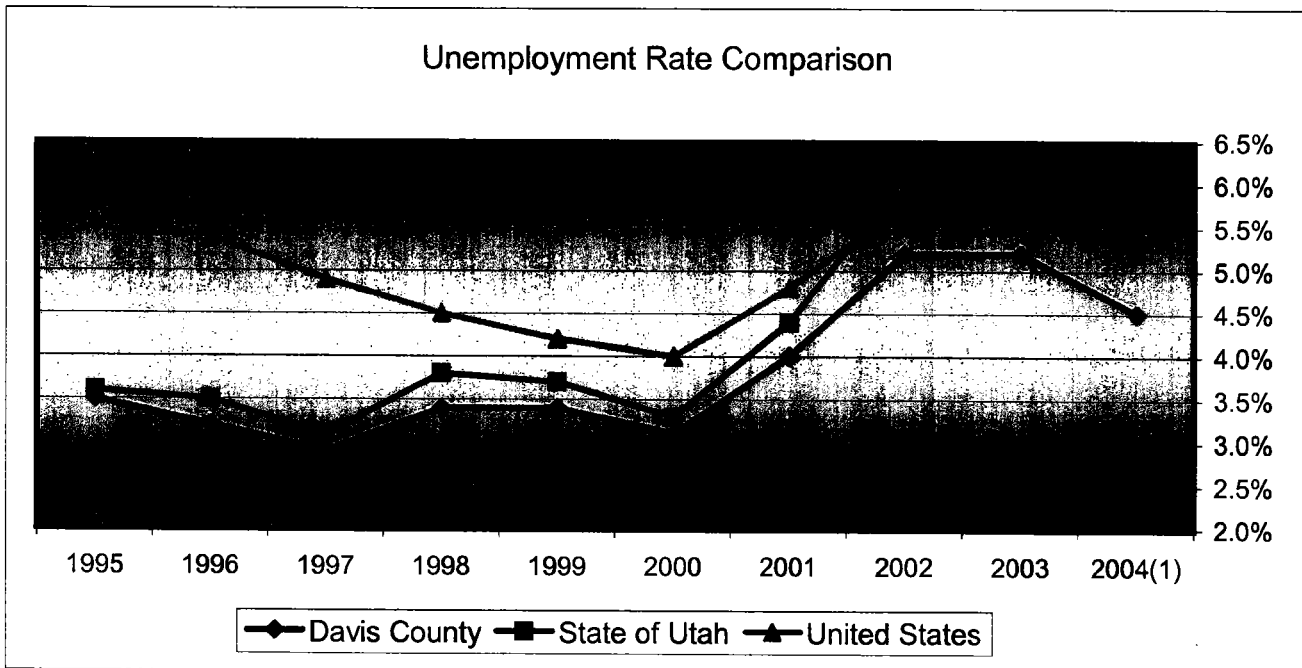
	2004	2003	2002	2001	2000	1999
Total civilian work force	126,849	124,837	122,757	122,076	121,612	120,717
Employed.....	121,198	118,305	116,399	117,229	117,852	116,614
Unemployed.....	5,651	6,532	6,358	4,847	3,760	4,104
Unemployment rate.....	4.5%	5.2%	5.2%	4.0%	3.1%	3.4%
Total non-agricultural employment	94,396	89,722	88,886	87,579	84,846	82,234
Mining.....	125	62	59	95	89	71
Contract construction.....	7,983	6,861	6,718	7,115	7,064	7,034
Manufacturing.....	10,461	10,363	10,073	9,925	10,125	10,381
Trade, transportation and utilities.....	19,450	18,383	18,638	18,798	18,517	17,477
Information.....	850	893	915	752	714	730
Financial Services.....	3,853	3,556	3,197	3,304	3,217	3,319
Professional and business services....	8,465	7,739	7,647	6,926	6,284	5,874
Education and health services.....	8,298	8,003	7,630	7,566	7,245	6,884
Leisure and hospitality.....	9,291	8,013	7,880	7,845	7,695	7,398
Other services.....	2,779	2,673	2,641	2,425	2,258	2,174
Government.....	22,817	23,162	23,488	22,828	21,638	20,893

DAVIS SCHOOL DISTRICT

Unemployment Rate Comparison Davis County, State of Utah and United States Years Ended December 31, 1995 to 2004

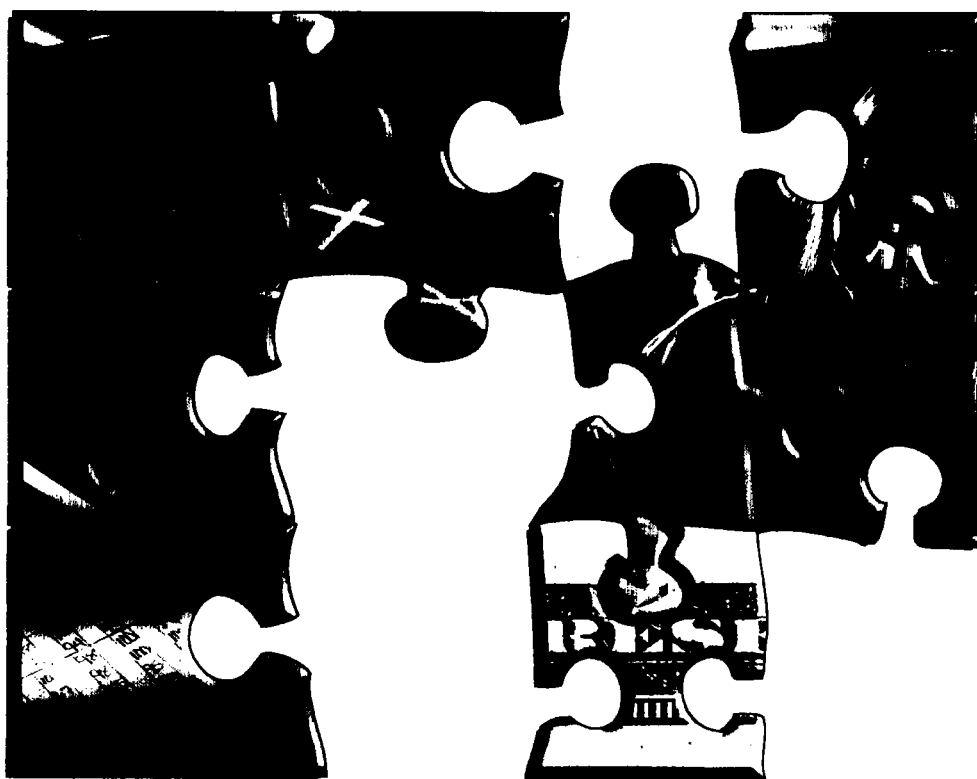
Year	Davis County	State of Utah	United States
2004(1)	4.5%	5.2%	5.5%
2003	5.2%	5.7%	6.0%
2002	5.2%	6.1%	5.8%
2001	4.0%	4.4%	4.8%
2000	3.1%	3.3%	4.0%
1999	3.4%	3.7%	4.2%
1998	3.4%	3.8%	4.5%
1997	2.9%	3.1%	4.9%
1996	3.2%	3.5%	5.4%
1995	3.5%	3.6%	5.6%

(1) Preliminary Estimate - Subject to Change



Section III

Statistical Section

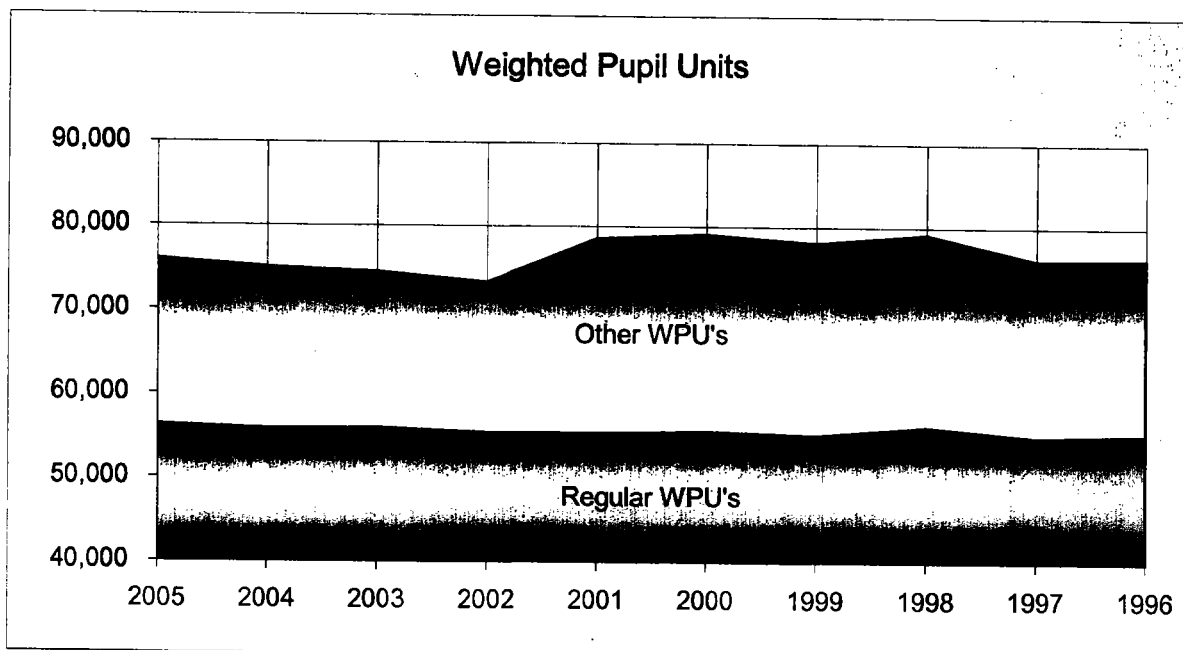


DAVIS SCHOOL DISTRICT

Weighted Pupil Units (WPU'S) Regular WPU'S and Other by Formula Years Ended June 30, 1996 to 2005

WPU TYPE	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Regular Grades K-12	56,204	55,792	55,909	55,402	55,393	55,625	55,139	56,211	55,014	55,355
Other WPU's by Formula										
Professional staff	5,339	5,285	5,190	5,017	4,900	4,885	4,848	4,723	4,889	4,892
Administrative Cost	16	16	16	16	16	16	16	16	16	16
Special Education	8,022	7,767	7,037	6,654	6,827	6,814	6,787	6,862	6,901	6,937
Career and Technical Ed	2,682	2,532	2,672	2,644	2,000	2,190	2,200	2,330	2,199	2,259
Adult High School	-	-	-	-	273	280	292	261	226	257
Accelerated Learning	-	-	-	-	408	391	388	361	341	323
At-Risk Students	-	-	-	-	769	885	816	648	703	502
Career Ladders	-	-	-	-	2,981	2,911	2,922	2,962	2,905	2,889
Class-Size Reduction	3,649	3,618	3,624	3,589	3,581	3,636	3,216	3,318	1,442	1,372
Local Program	-	-	-	-	1,409	1,417	1,413	1,436	1,425	1,430
Total other WPU's	19,708	19,218	18,539	17,920	23,164	23,425	22,898	22,917	21,047	20,877
TOTAL ALL WPU'S	75,912	75,010	74,448	73,322	78,557	79,050	78,037	79,128	76,061	76,232

The decrease in WPU's in 2002 was due to a change in the State funding formula. Categories previously funded by WPU's were moved to block grants.



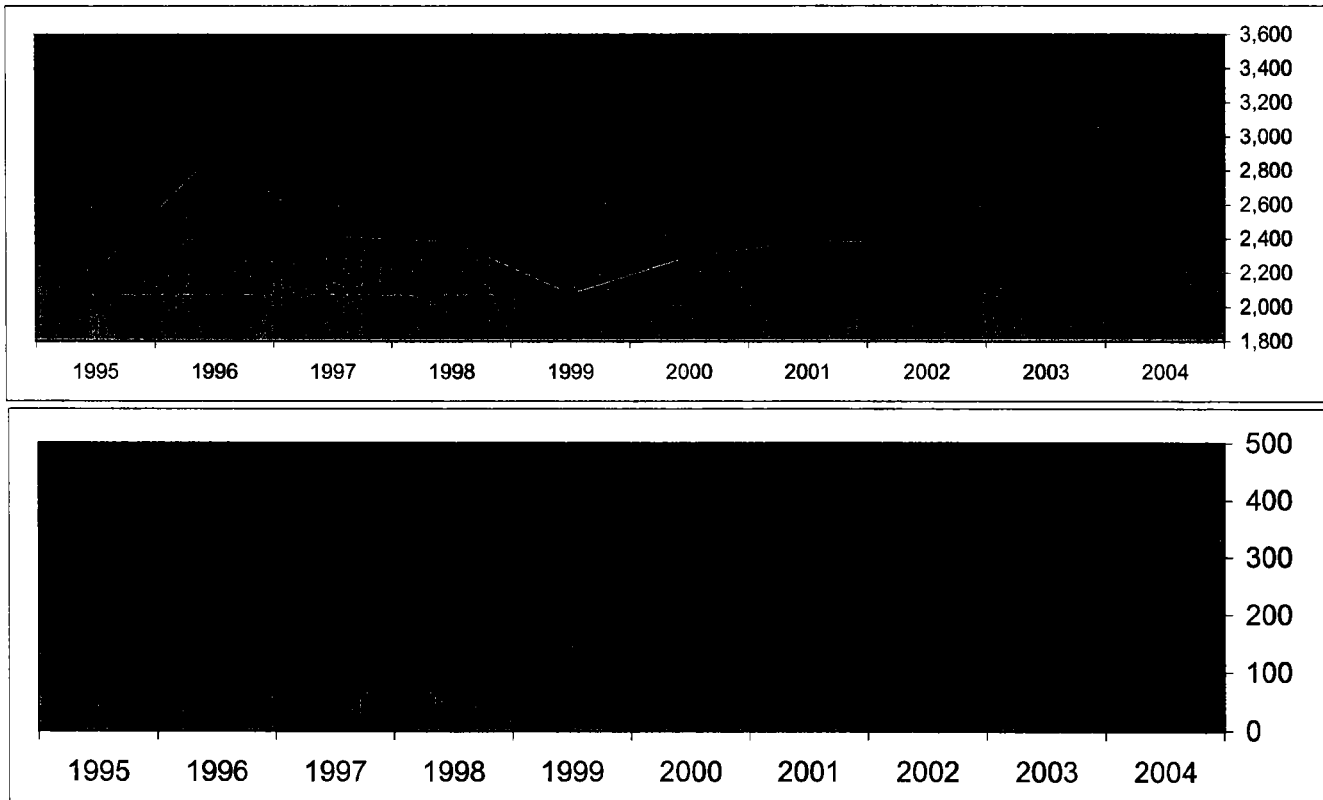
DAVIS SCHOOL DISTRICT

Schedule of New Construction, Property Values and Building Permits Davis County

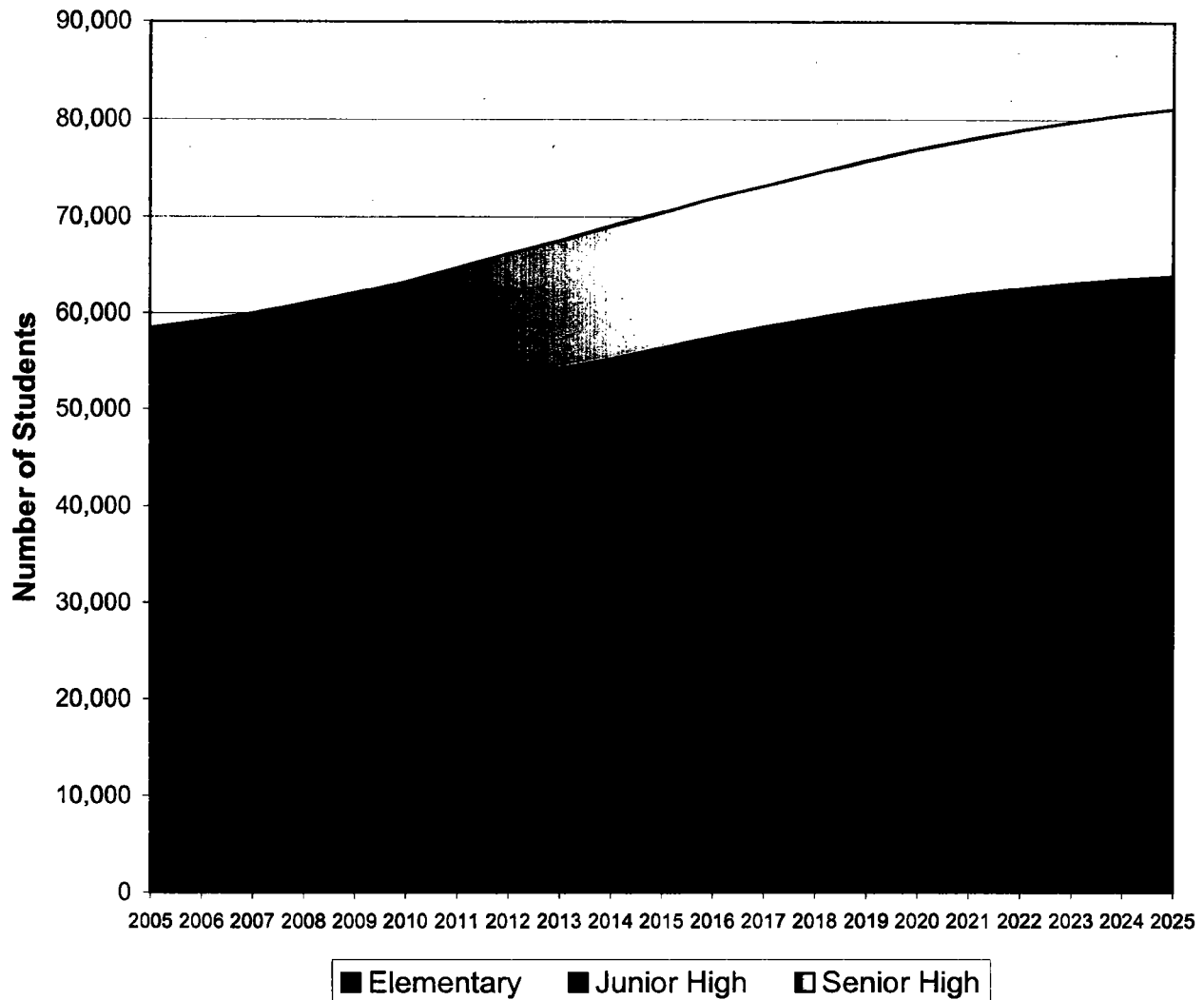
Years Ended December 31, 1995 to 2004

YEAR	ESTIMATED ACTUAL MARKET VALUE - TOTAL	ESTIMATED ACTUAL MARKET VALUE - TOTAL CONSTRUCTION	<u>COMMERCIAL CONSTRUCTION</u>		<u>RESIDENTIAL CONSTRUCTION</u>	
			NUMBER OF BUILDING PERMITS	MARKET VALUE	NUMBER OF BUILDING PERMITS	MARKET VALUE
2004	\$ 15,667,356,241	\$ 638,137,908	411	\$ 86,187,270	3,454	\$ 551,950,638
2003	14,509,725,213	517,836,487	315	88,963,883	2,837	428,872,604
2002	14,205,806,672	360,541,780	247	78,559,704	2,357	281,982,076
2001	13,920,405,974	353,892,072	376	73,963,443	2,368	279,928,629
2000	12,789,345,628	320,860,066	397	72,737,751	2,274	248,122,315
1999	12,092,070,432	311,633,513	97	52,094,070	2,055	259,539,443
1998	11,406,243,914	375,022,100	305	99,828,200	2,363	275,193,900
1997	10,477,371,981	374,393,025	326	79,864,889	2,397	294,528,136
1996	9,347,487,432	347,927,850	393	71,351,395	2,873	276,576,455
1995	8,058,665,174	289,167,497	317	87,522,071	2,179	201,615,426

HISTORY OF BUILDING PERMITS - DAVIS COUNTY



DAVIS SCHOOL DISTRICT
Enrollment Projections
Years Ended June 30, 2005 to 2025



These projections are based upon the State of Utah's Economic and Demographic Projections, from the Governor's Office of Planning and Budget. Information pertaining to Davis County is extracted, then adjusted for local birth rates and "in" and "out" migration factors to arrive at the final estimate.

DAVIS SCHOOL DISTRICT

Schedule of Insurance Coverage in Force Group Policy For State of Utah School Districts

Term: 01-Jul-2004 to 30-Jun-2005

Annual Premium \$ 1,227,190

<u>Insurance Type</u>	<u>Description</u>
Building - fire	- 90% of replacement cost after \$1,000 deductible.
Boiler and machinery	- Replacement after \$5,000 deductible.
Transportation Equipment	- Variable coverage depending upon the value of the individual item. Some of the low value items are not insured for collision. A \$1,000 deductible is standard with a \$500,000 occurrence.
General Liability	- Consists of \$500,000 coverage. Covers liability at school and during busing.
Umbrella clause	- Coverage for liability that extends beyond the general liability policy. This gives an extended coverage up to \$25,000,000.

DAVIS SCHOOL DISTRICT

Personnel and Facility Statistical Data Years ended June 30, 2003 through 2005

The Davis School District is given the responsibility by constitution and statute of educating all persons within its boundaries, grades kindergarten through twelfth.

Facilities Operated:

	2003	2004	2005
Elementary Schools	52	52	53
Junior High Schools	13	14	14
High Schools	7	7	7
Special Purpose Schools	6	6	6
Administrative and Support Buildings	6	6	6
Total facilities operated	84	85	86

Full-Time and Part-Time Personnel Employed:

Full-time positions:

Administrators, Managers	21	21	21
School Principals	74	74	75
School Assistant Principals	35	39	40
Elementary Classroom Teachers	1,509	1,537	1,556
Secondary Classroom Teachers	1,188	1,191	1,184
Other Classroom Teachers	85	90	101
Guidance personnel	122	124	125
Psychological personnel	25	28	28
Librarians/Audio-Visual Staff	20	20	21
Consultants / Supervisors of Instruction	45	50	51
Other Professional Staff	236	247	239
Teacher Assistants	395	394	415
Technicians	121	126	127
Clerical / Secretarial / Technical Specialists	291	303	300
Service Workers	494	497	511
Skilled Crafts	142	144	145
Laborers, Unskilled	9	9	9
Subtotal - Full-time positions	4,812	4,894	4,948

Part-time positions	1,581	1,590	1,610
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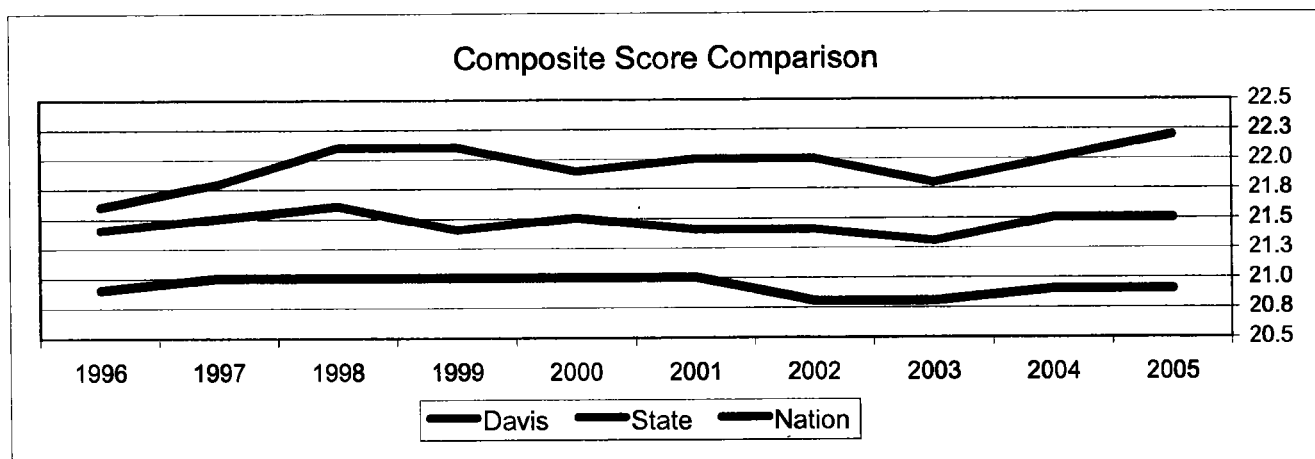
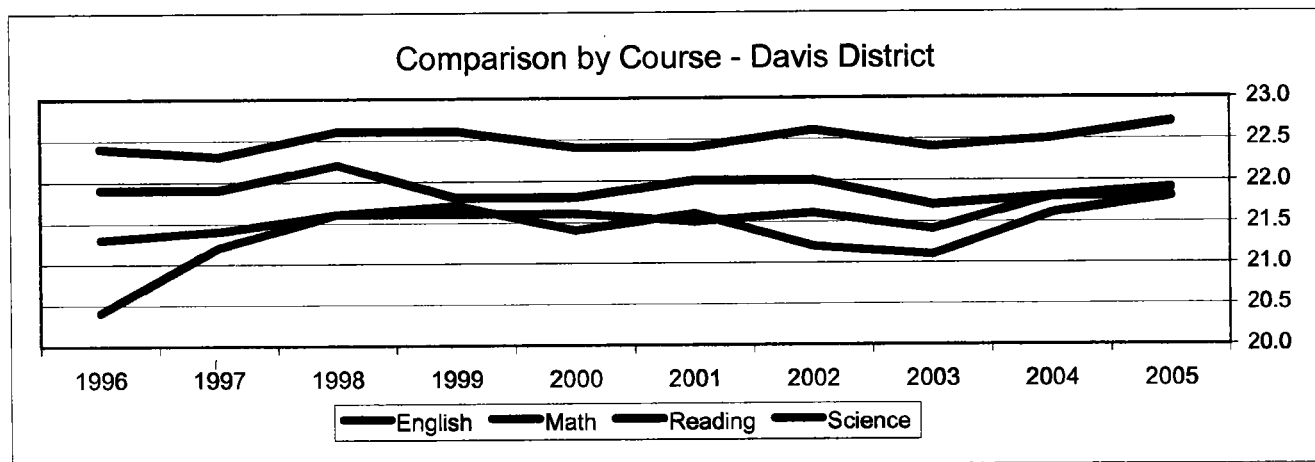
Total number of District positions.....	6,444	6,484	6,558
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DAVIS SCHOOL DISTRICT

American College Test (ACT) Results Years Ended June 30, 1996 to 2005

Year	Davis District English	Davis District Math	Davis District Reading	Davis District Science Reasoning	Composite Davis District	Composite State	Composite Nation
2005	21.8	21.8	22.7	21.9	22.2	21.5	20.9
2004	21.6	21.8	22.5	21.8	22.0	21.5	20.9
2003	21.1	21.4	22.4	21.7	21.8	21.3	20.8
2002	21.2	21.6	22.6	22.0	22.0	21.4	20.8
2001	21.6	21.5	22.4	22.0	22.0	21.4	21.0
2000	21.4	21.6	22.4	21.8	21.9	21.5	21.0
1999	21.7	21.6	22.6	21.8	22.1	21.4	21.0
1998	21.6	21.6	22.6	22.2	22.1	21.6	21.0
1997	21.4	21.2	22.3	21.9	21.8	21.5	21.0
1996	21.3	20.4	22.4	21.9	21.6	21.4	20.9

(AVERAGE SCORES on a 36 point scale)

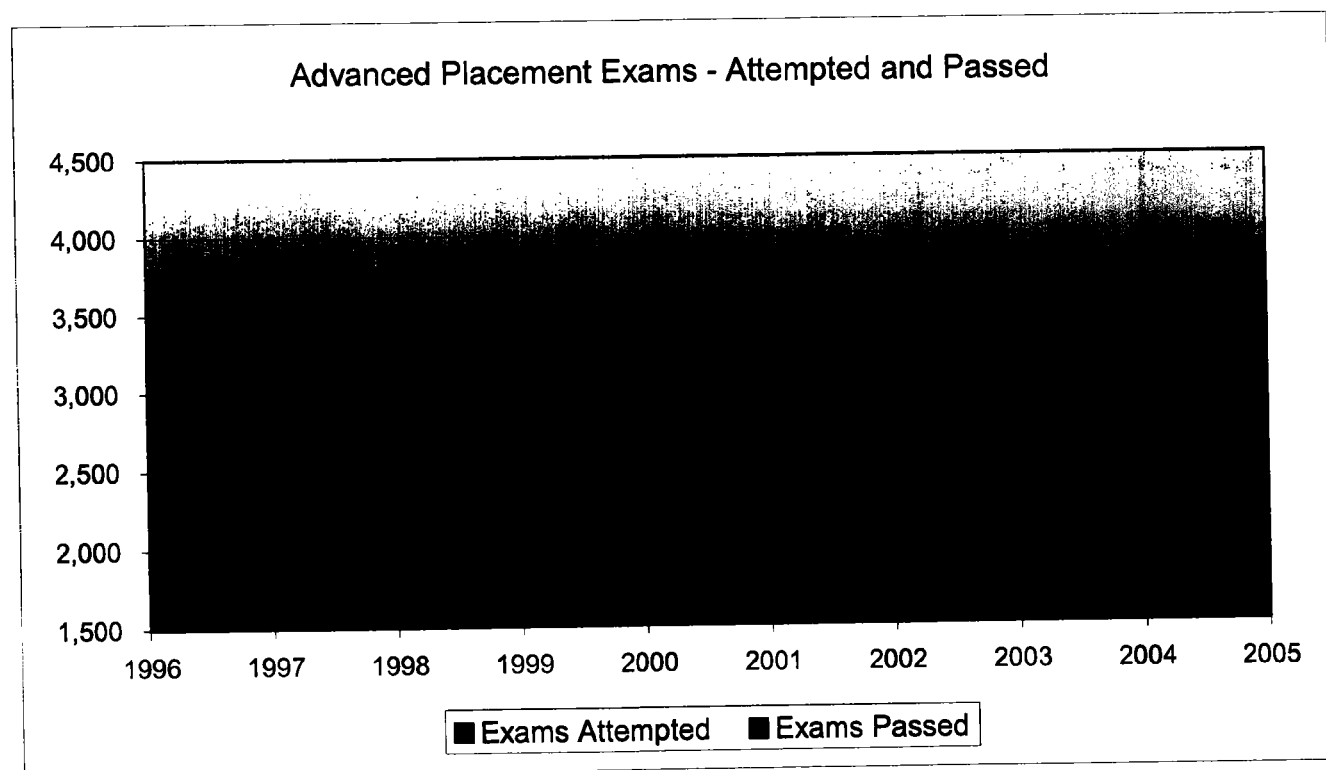


DAVIS SCHOOL DISTRICT

Advanced Placement Exams Attempted by Course Years Ended June 30, 1996 to 2005

Course	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Mathematics	409	542	541	688	704	787	807	914	940	942
Computer Science	27	19	4	32	26	17	18	17	4	2
English	735	793	806	919	900	910	901	949	1,044	987
Science	492	515	518	492	405	384	281	330	317	331
Social Studies	1,112	1,164	1,141	1,167	1,152	1,172	1,203	1,292	1,336	1,304
Fine Arts	111	175	176	178	162	140	180	169	218	240
Foreign Languages	8	27	20	26	17	28	28	27	46	20
Total Attempted	2,894	3,235	3,206	3,502	3,366	3,438	3,418	3,698	3,905	3,826
Exams Passed	2,054	2,354	2,257	2,545	2,433	2,534	2,559	2,664	2,785	2,792
Percent Passing	71.0%	72.8%	70.4%	72.7%	72.3%	73.7%	74.9%	72.0%	71.3%	73.0%

(The score scale is 1-5. Scores of 3, 4, or 5 are "Passing")



DAVIS COUNTY SCHOOL DISTRICT
SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS

Year Ended June 30, 2005

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Davis County School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	District's Program Number	(Deferral) Receivable June 30, 2004	Received	Expended	(Deferral) Receivable June 30, 2005
US DEPARTMENT OF AGRICULTURE:							
Passed Through State Board of Education:							
Food Donation	10.550	n/a	8000	\$ -	\$ 1,172,471	\$ 1,172,471	\$ -
School Breakfast Program	10.553	44	8000	11,399	899,992	902,607	14,014
National School Lunch Program	10.555	43	8000	101,303	5,000,579	4,984,040	84,764
Special Milk Program for Children	10.556	41	8000	-	1,588	1,588	-
Child and Adult Care Food Program	10.558	47	7511	-	40,281	40,281	-
Summer Food Service Program for Children	10.559	48	8000	103,682	248,399	276,551	131,834
				216,384	7,363,310	7,377,538	230,612
US DEPARTMENT OF DEFENSE:							
Direct Programs:							
International Education - U.S. Colleges and Universities	12.550	n/a	7326	20,014	144,845	151,224	26,393
US DEPARTMENT OF JUSTICE:							
Direct Programs:							
Drug Court Discretionary Grant Program	16.585	n/a	7370	34,892	191,512	184,544	27,924
US DEPARTMENT OF EDUCATION:							
Direct Programs:							
Impact Aid	84.041	n/a	0015	-	1,202,190	1,202,190	-
Indian Education - Grants to Local Educational Agencies	84.060	n/a	7322	19,750	19,750	-	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	n/a	7340/7341	71,093	1,120,840	1,237,796	188,049
Emergency Preparedness Grant	84.184	n/a	7376	-	3,400	4,443	1,043
JAVITS Gifted and Talented Students Education Grant Program	84.206	n/a	7373	-	115,600	144,249	28,649
Fund for the Improvement of Education (FIE)	84.215	n/a	7358/7374/7375	42,403	282,500	301,043	60,946
Teaching American History	84.215	n/a	7372	-	140,000	179,710	39,710
Twenty-First Century Community Learning Centers	84.287	n/a	7654/7365/15	259,296	259,296	-	-
Bilingual Education - Program Enhancement Grants	84.289	n/a	7300	42,135	42,135	-	-
Passed Through State Board of Education:							
Adult Education - State Grant Program	84.002	33	1610	-	103,696	103,696	-
Title I Program for Neglected and Delinquent Children	84.010	13	5202/7511	45,339	1,658,847	3,510,783	1,897,275
Migrant Education - State Grant Program	84.011	15	7548/7549	54,578	99,595	109,217	64,200
Special Education - Grants to States	84.027	19	1200	-	-	9,676,579	9,676,579
Special Education - Personnel Preparation to Improve Service and Results for Children with Disabilities	84.325		7640	-	-	4,000	4,000
Vocational Education - Basic Grants to States	84.048	21	VAR	796,424	814,774	832,282	813,932
Immigrant Education	84.162	57	7628	169,611	201,109	178,825	147,327
Special Education - Preschool	84.173	52	1290	156,466	308,020	306,229	154,675
Safe and Drug-Free Schools and Communities - National Programs	84.184	53	7603	43,481	78,500	73,323	38,304
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	5520/7602	103,505	225,686	183,541	61,360
Education for Homeless Children and Youth	84.196	28	5272	-	-	30,000	30,000
Even Start - State Educational Agencies	84.213	18	7510	-	31,553	162,782	131,229
Twenty-First Century Community Learning Centers	84.287	60	7654/7365/15	106,395	165,398	462,459	403,456
State Grants for Innovative Programs	84.298	90	7512	-	129,371	260,292	130,921
Educational Technology State Grants	84.318	07	5821	-	55,084	112,143	57,059
Special Education - Grants to States	84.027	19	7556	-	-	30,000	30,000
Comprehensive School Reform Demonstration	84.332	27	7371	70,000	70,000	78,583	78,583
Improving Teacher Quality State Grants	84.367	74	5238/7626	-	1,075,309	1,562,228	486,919
Passed Through Weber State University:							
Migrant Education - High School Equivalency Program	84.141		7305	117,260	215,914	147,881	49,227
Passed Through Utah State Department of Health:							
Special Education - Grants for Infants and Families with Disabilities	84.181		1299	-	422,033	422,033	-
				2,097,736	8,840,800	21,316,307	14,573,443
CORPORATION FOR NATIONAL AND ACOMMUNITY SERVICE:							
Passed Through State Office of Education:							
Learn and Serve America - School and Community Based Programs	94.004	53	6907	5,917	12,000	6,083	-
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Direct Programs:							
Head Start	93.600	n/a	7314/7320	427,666	3,940,518	4,061,018	548,166
Total federal awards				\$ 2,802,609	\$ 20,492,785	\$ 33,096,714	\$ 15,406,538

DAVIS COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Davis County School District (District). The District reporting entity is defined in Note 1 to the District's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule.

Note 2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for awards received by governmental funds and the accrual basis of accounting for proprietary funds as described in Note 1 to the District's financial statements.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as deferred revenue until earned. Donated food commodities are recorded at fair value in the School Food Services Fund as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenses when they are transferred to schools for consumption.

Note 3. Relationship to District's Financial Statements

Federal awards expended on the schedule of expenditures of federal awards for the year ended June 30, 2005 are reported in the District's financial statements as federal government revenues as follows:

General Fund (Governmental Fund)	\$ 25,749,675
School Food Services Fund (Proprietary Fund)	7,337,257
State Multi-District Programs Fund (Special Revenue Fund)	9,782
	<u>\$ 33,096,714</u>



Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Davis County School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the remaining fund information of Davis County School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted

certain matters that we reported to management of the District in a separate letter dated August 26, 2005.

This report is intended solely for the information and use of the audit committee, management, the Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Agui & Company, PC

August 26, 2005



Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program and Internal
Control over Compliance in Accordance with OMB Circular A-133

Board of Education
Davis County School District

Compliance

We have audited the compliance of Davis County School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Davis County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Davis County School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Agui & Company, PC

August 26, 2005

DAVIS COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2005

No matters were reported in the prior year.

DAVIS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weakness(es) identified? yes X no

-Reportable condition(s) identified that are not considered to be material weaknesses?
 X yes none reported

Noncompliance material to financial statements noted?
 yes X no

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? yes X no

-Reportable condition(s) identified that are not considered to be material weakness(es)?
 yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
84.184	Safe and Drug-free Schools
10.550	Food Donation

Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs: \$ 992,901

Auditee qualified as low-risk auditee? X yes no

II. Financial statement findings:

During the year ended June 30, 2005, the District brought to our attention that certain controls may have been circumvented; the potential problem is isolated to small purchases within the Title I program as described in Section III below.

III. Federal award findings and questioned costs:

2005-1 Title I Program for Neglected and Delinquent Children - CFDA No. 84.010 -- US Department of Education program passed through to the District from the Utah State Office of Education:

Condition and Criteria: The District is required to establish adequate internal controls over federal programs, including safeguarding funds against loss from unauthorized use or disposition. During the year ended June 30, 2005, the District brought to our attention that certain controls may have been circumvented; the potential problem is isolated to small purchases within the Title I program.

Effect: The matter is under investigation. The effect of this matter is unknown at this time.

Cause: The matter may result from the lack of obtaining proper approvals for small purchases, inadequate segregation of responsibilities and supervisory review of purchases from certain vendors, and not validating the receipt of certain small purchases.

Recommendation: Purchasing policies and procedures should be updated to ensure proper approval of transactions, segregation of duties, supervisory review of vendor activities, and validation of goods received.

Views of responsible officials and planned corrective actions. Depending on the results of an investigation, personnel may be reassigned. If funds are found to be misused, federal funds will be recovered or be replaced with nonfederal funds. Purchasing policies and procedures have been updated and program activities are being monitored by management and the District's internal auditor.



**Independent Auditor's Report on Legal Compliance in
Accordance with the *Utah State Legal Compliance Audit Guide***

Board of Education
Davis County School District

We have audited the financial statements of Davis County School District (District) as of and for the year ended June 30, 2005 and have issued our report thereon dated August 26, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; and special tests and provisions applicable to each of its major state assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah (each passed through the State Office of Education):

Minimum School Program
School Building Program

Driver Education
Other State Appropriations

The District also received nonmajor state grants, which are not required to be audited for specific compliance requirements; however, these grants were subject to test work as part of the audit of the District's financial statements.

Our audit also included test work on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Public Debt
Purchasing Requirements
Truth in Taxation and Property Tax Limitations

Cash Management
Budgetary Compliance
Other General Compliance Issues

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Davis County School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

Agui & Company, PC

August 26, 2005

Squire & Company, PC
Certified Public Accountants and Business Consultants



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Letter to Management

August 26, 2005

Board of Education
Davis County School District

In planning and performing our audit of the financial statements of Davis County School District for the year ended June 30, 2005, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 26, 2005, on the financial statements of the District. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated August 26, 2005, in accordance with *Government Auditing Standards*; the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and in accordance with the *State of Utah Legal Compliance Audit Guide*.

Prior Year Comments

Comments from audits of prior years have been addressed and have been or are being resolved. Certain prior-year comments are repeated for your consideration.

Capital asset accounting – The District has recently updated its capital asset schedules. Separate schedules have been established for each class of capital assets and fund. We recommend all capital asset accounting be consolidated into one database or be managed with one depreciation software program. We also recommend that the District continue to conduct periodic inventories of capital assets to ensure all items are identified and reconciled to the accounting records.

Views of Responsible Officials – The District is in the process of developing software to manage a fixed asset database within our current data processing system. After examining alternatives, it is felt that an in-house system will best meet the needs of the District. This project will be completed as it fits into the current workflow.

Property tax revenue allocation – We note that the District allocates monies received from the county for property tax redemptions on a different basis than what was originally levied. We encourage the District to evaluate its current practice and consider using an alternative method of allocating property tax redemptions.

Views of Responsible Officials – The District will adjust its property tax recognition process for tax redemptions as recommended for fiscal year 2006.

Current Year Comments

Purchasing – We tested several purchasing transactions during the year ended June 30, 2005. We observed that certain purchasing practices may need to be modified or established policies should be more closely followed:

Purchase orders should be prepared as part of the approval process and prior to ordering and receiving the applicable goods and services. In a few instances, we noted purchase orders being prepared after the purchasing process was complete.

Exceptions to purchasing policies should be carefully evaluated and decisions should be documented, especially for purchases from vendors designated as "sole source" or "single source."

Reimbursement requests should be approved by the individual's supervisor or other superior.

The transfer of approval authority in the accounting system to others should only be used on a limited basis and as directed by responsible individuals..

Views of Responsible Officials – Review and training of personnel with regards to District purchasing policy is an ongoing need in the District that will be addressed by management. The internal auditor will also begin conducting audits and reviews of District programs and departments to monitor adherence to purchasing policy. The District has implemented more review by the purchasing department of "sole source" vendors and new vendors in general. System controls have been implemented to limit the transfer of approval authority and to ensure supervisory approval of reimbursement requests.

Payroll – We tested several payroll transactions during the year ended June 30, 2005. We noted instances where proper approval was not adequately documented, as well as an instance where authorization was given by an individual without proper approval authority. We also noted instances where a stipend was paid in advance of the work being performed.

Views of Responsible Officials – The District is in the process of implementing a newly designed payroll timecard for payroll documentation of all employees. Additionally, procedures for supervisory approval of all payroll documentation will be reviewed with District managers and supervisors. Also, controls are being implemented in the payroll and accounting departments to monitor extra duty payments to avoid payments in advance.

Certifications – We noted that formal certifications as required by OMB Circular A-87 to support allocation of payroll costs to restricted federal programs are not always adequately documented. We recommend that monthly certifications be obtained for individuals who work in more than one program and when at least one of the programs is federal. We also recommend that semi-annual certifications be obtained for employees that work in one federal program.

Views of Responsible Officials – The District will implement certifications as required by OMB Circular A-87. Monthly certifications will be documented for all employees working for more than one federal program, and semi-annual certification for other employees in a single federal program.

New standard – Government Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*, is effective for periods beginning after June 15, 2005. This new standard amends prior guidance on the preparation of statistical information that is included with financial statements. We encourage the District to review the new standard and gather information the District intends to present within the statistical section of future financial reports.

Views of Responsible Officials – The District has begun to gather information and material necessary to implement GASB Statement No. 44 with regards to the new Statistical Section for next year's financial reports.

We will review the status of these comments during our next audit engagement. We have already discussed in detail these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations. We appreciated being able to work with District personnel in our audit. We note those we worked with in the audit and reporting process were helpful. We also noted management's ability and sensitivity to display and communicate an appropriate attitude regarding internal control and the financial reporting process.

Squire & Company, PC

Squire & Company, PC